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South Carolina Legislative Audit Council

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Report to the General Assembly

August 1995

A Sunset Review of the South Carolina Educational Television Commission

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Report to the General Assembly

**A Sunset Review of
the South Carolina
Educational Television
Commission**

Contents

Executive Summary

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Chapter 1 Introduction and Background

Audit Objectives	1
Audit Scope and Methodology	2
Background	3

Chapter 2 Delivery of Educational Communications Services

SCETV Regional Television Stations	5
Teleconferencing	9
The Satellite Educational Resources Consortium	14
Instructional Television	20
Digital Satellite System	23
Tape and Delay Centers	27
Consolidation of Production Resources	29

Chapter 3 Revenue Issues

Marketing of SCETV Services	33
Management and Administration of Grants	35
Services Billed to Other Organizations	37
Fees for Services	43

Chapter 4 Administrative Issues

Strategic Plan	47
Information Management	50
Professional Requirements for SCETV Commission	52
Relationship Between SCETV and SCETV Endowment	53
Legal Review of Contracts	56
Funding for Construction	57
Purchase of the State-Record Newspaper Building	59
Inventory Policy	59

Chapter 5 Sunset Issues

Issue (1) Effects of Regulation	61
Issue (2) Impacts of Deregulation	61
Issue (3) Administrative Costs	62
Issue (4) Efficiency of Administration	64
Issue (5) Public Participation	66
Issue (6) Duplication of Services	66
Issue (7) Handling of Complaints	67
Issue (8) Compliance With the Law	67

Appendices

A Glossary	70
B Agency Comments	71

Executive Summary

The sunset law (§1-20-10 *et seq.* of the South Carolina Code of Laws) requires that the State Reorganization Commission determine annually which agencies or agencies' programs are scheduled for termination. The commission selected the South Carolina Educational Television Commission (SCETV) as the agency subject to sunset review in FY 94-95. Pursuant to the sunset law, the Legislative Audit Council reviewed the laws and operations of SCETV and evaluated its performance. We recommend continuation of SCETV and have made recommendations for improvements in its operations.

Our review confirmed some commission accomplishments. SCETV has carried out its responsibility to provide a statewide educational communications network, and has implemented measures to expand the delivery of educational services. The commission competently administers many programs and has taken initiative in providing services to remote areas of the state. Our review also revealed areas where improvements are needed to ensure efficient and effective agency operations. Major findings in specific areas are summarized below.

Delivery of Educational Communications Services

In conjunction with other state agencies, SCETV provides educational communications services statewide. Its operations include regional production facilities. We reviewed the efficiency and cost effectiveness of delivery and found the following:

- SCETV operates four television production stations outside of Columbia. These facilities offer limited programs to the communities in which they are located. Transmitter sites (already in operation) to transmit program in these communities offer a more cost-effective alternative, saving approximately \$1.7 million annually in state funds (see p. 5).
- SCETV provides teleconferencing services to other state agencies. Teleconferences reduce the need to travel to a central location, thus saving funds. Some agencies have established their own studios which permits them to produce teleconferences. State agency studios have been established without regard to studios within the same geographical area. Further, we could not confirm SCETV's estimate that \$7 million savings resulted in FY 93-94 from using SCETV rather than a private company; according to SCETV, savings from this source accounted for approximately 49% of total estimated savings (see p. 9).

- SCETV manages and produces four instructional courses offered to the Satellite Educational Resources Consortium (SERC) members in 21 states. The commission's unreimbursed costs for production rose from approximately \$368,000 in FY 92-93 to approximately \$513,000 in FY 93-94. Unreimbursed costs are projected to rise to approximately \$601,000 in FY 94-95 (see p. 14).
- The structure of instructional television (ITV) is fragmented and may impede accountability. Additionally, utilization surveys of ITV use have not been performed since the 1990-91 school year (see p. 20).
- SCETV's production staff are located in both the production division and the programming division. To increase efficiency, production resources should be consolidated. Consolidation is likely to lessen some backlog in production, increase efficiency in project scheduling, and allow more flexibility in shifting resources (see p. 29).

Revenue Issues

With state budget cuts and pending cuts in federal funding, it is important that SCETV generate revenue from agency services where possible. Although we did not identify significant problems, we found areas that may impede SCETV's ability to recover revenue on services provided.

- Current marketing practices do not adequately promote the availability of SCETV's services and products to potential users (see p. 33).
- A lack of streamlining and coordination in the management and administration of grants may have resulted in decreased grant awards and reduced cost recovery for SCETV (see p. 35).
- SCETV should require consistent and detailed tracking of staff time, facilities, and equipment to ensure that its costs are recovered. If project costs are understated, revenue recovery would be reduced (see p. 37).

Administrative Issues

We reviewed SCETV's administrative operations. Our findings are summarized below.

- The commission has not established a strategic plan which would help to ensure the best use of its resources. The absence of an integrated planning process may have been a contributing factor in some problems we identified (see p. 47).
- SCETV recently purchased software to address information management problems. Although we were unable to evaluate the impact of these systems, agency officials anticipate that the new equipment will resolve most, if not all, information management concerns (see p. 50).
- We found no material problems in the relationship between SCETV and the SCETV Endowment. However, we recommend that SCETV and the endowment enter into a written agreement specifying services that the SCETV staff will perform for the endowment and reimbursement for these services (see p. 53).
- We reviewed a sample of SCETV contracts and agreements. Although, we did not find terms and conditions unfavorable to SCETV, we recommend that SCETV obtain legal review for major national programming contracts, and production contracts involving significant agency resources (see p. 56).
- We reviewed the initial funding process for construction of SCETV's new studio and technical facility and its acquisition of the State-Record Newspaper building. We did not review expenditure of the funds. We found no material problems with the initial funding process (see p. 57).

Executive Summary

Introduction and Background

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The scope of this audit is based on the sunset law and issues identified in the audit request. Some of the issues addressed in this report were also discussed in our 1981 performance and management audit of SCETV.

Audit Objectives

SCETV is not a regulatory agency; therefore, all eight sunset issues mandated under §1-20-10 of the South Carolina Code of Laws may not be applicable. Chapter 5 of this report summarizes our review of these issues. The following objectives of sunset reviews are established by §1-20-10.

- (1) Determine the amount of the increase or reduction of costs of goods and services caused by the regulations promulgated by and the administering of the programs or functions of the agency under review.
- (2) Determine the economic, fiscal and other impacts that would occur in the absence of the regulations promulgated by and the administering of the programs or functions of the agency under review.
- (3) Determine the overall costs, including manpower, of the agency under review.
- (4) Evaluate the efficiency and effectiveness of the administration of the programs or functions of the agency under review.
- (5) Determine the extent to which the agency under review has encouraged the participation of the public and, if applicable, the industry it regulates.
- (6) Determine the extent to which the agency duplicates the services, functions and programs administered by any other state, federal, or other agency or entity.

- (7) Evaluate the efficiency with which formal public complaints, filed with the agency concerning persons or industries subject to the regulation and administration of the agency under review, have been processed.
- (8) Determine the extent to which the agency under review has complied with all applicable state, federal and local statutes and regulations.

As requested by the State Reorganization Commission, our objectives also included a review of the relationship between SCETV and the State Department of Education's instructional television section, coordination of teleconferencing activities between SCETV and other entities, the relationship between SCETV and the SCETV Endowment, and funding for construction. We also reviewed the adequacy of SCETV's planning and oversight functions and selected administrative and organizational issues as requested.

Where appropriate, we addressed the possible reduction of state dollars with revenues from other sources. We did not review the issue of privatization of the network.

Audit Scope and Methodology

We reviewed operations of the commission primarily for the period FY 90-91 through FY 93-94. We interviewed agency officials, government officials in South Carolina and other states, representatives of related organizations, and persons interested in SCETV's activities.

We conducted interviews with officials and obtained information about public television in Florida, Georgia, Louisiana, Kentucky, Mississippi, Nebraska and North Carolina. We found the public television systems in these states are most comparable to the system in South Carolina.

We reviewed South Carolina statutes and regulations, agency policies and records, and reports from other states and organizations. We sampled agency records related to services rendered by SCETV. We were guided by statute and the issues specified in the audit request.

To achieve our audit objectives, we relied on some computer-processed data which we did not verify. However, when this data is viewed in context with other available evidence, we believe the opinions, conclusions, and recommendations in this report are valid.

The review was conducted and this report was prepared in accordance with generally accepted government auditing standards.

Background

The South Carolina Educational Television Commission was created by the General Assembly in 1960. The commission is composed of seven members appointed by the Governor. The superintendent of education serves *ex officio*. Other members serve staggered six-year terms.

SCETV's statutes (§59-7-10 *et seq.* of the South Carolina Code of Laws) are brief and general. SCETV's mission as stated in §59-7-40 is "to develop, promote and extend educational programs to meet the needs of the State and its citizens." SCETV's FY 93-94 Annual Report states its mission is:

. . . to provide a statewide educational communications network. The primary purpose of the network is to provide comprehensive educational opportunities to public schools, colleges, universities, and adult continuing education. The service is to support and enhance training for state agencies, private industry, and individuals, and to offer programs of cultural, historical, and educational significance to the general public.

The commission is headquartered in Columbia, South Carolina, where its administrative, production, and satellite transmission facilities are located. SCETV has 11 television stations and 8 radio stations including television production facilities at its four regional stations in Rock Hill, Beaufort, Sumter, and Spartanburg. These stations provide local programming and perform some other production services. The commission's radio production facility is located in Columbia. SCETV's facilities also include 12 transmission towers located throughout the state.

Daytime programming is intended primarily for on-the-air pickup by elementary schools, with most programming after 5 PM provided by the Public Broadcasting System (PBS). According to SCETV, in FY 93-94, 69% of the commission's programming originated in Columbia and the four regional stations, 14% was from institutions of higher learning in the state, and 17% was provided by PBS. A minimal amount of additional programming was purchased from educational television consortia and other national providers.

In December 1993, the commission obtained a Telstar 401 digital satellite transponder through a lease/purchase agreement. The transponder, with an estimated useful life of 10 years, is anticipated to carry 32 channels by January 1996. According to SCETV, this will permit the network to expand the service now provided by its instructional television fixed system (ITFS), add additional transmission sites, and improve its communications capability. SCETV estimated that 53% (approximately \$13 million) of its FY 93-94 budget (excluding capital improvements and Corporation for Public Broadcasting funds) were committed to public education.

In addition to producing radio and television programming for open and closed circuit distribution, SCETV performs a range of other activities. These include audio and video conferencing, and transmitting programming from external sources (such as educational television consortia and universities) to students, medical personnel, educational institutions, and law enforcement officers. Also, SCETV provides services to non-profit and for-profit organizations, and sales to individuals.

SCETV maintained approximately 388 full-time equivalent positions in FY 93-94. Of these, 160 were engaged in production activities. The commission's revenues for FY 93-94 were over \$28 million. These included almost \$19 million in state funds, over \$4 million from the Corporation for Public Broadcasting (CPB), and over \$4 million in sales receipts (see p. 63). In addition to these revenues, the SCETV Endowment, a not-for-profit corporation formed to provide financial support, disbursed almost \$9 million on behalf of SCETV in FY 93-94.

In 1990, SCETV's president was appointed by President George Bush to serve on the 10-member board of the National Corporation for Public Broadcasting; he currently serves as chairman of that board.

Delivery of Educational Communications Services

SCETV works with other state agencies and organizations to provide educational communications services statewide. In addition, the agency has established regional production facilities.

In this chapter, we address issues related to efficiency and cost-effectiveness of service delivery. Our findings are detailed below.

SCETV Regional Television Stations

We reviewed the need for agency production facilities outside of SCETV's main headquarters in Columbia. We found that transmitter sites offer a more cost-effective alternative for television with minimal effect on agency-wide services. In FY 93-94, state funding for the television production facilities amounted to approximately \$1.7 million.

The Federal Communications Commission (FCC) requires each public television licensee to have a main production station. SCETV operates its main station in Columbia (WRLK). In addition, it has four regional stations with production capabilities in Beaufort (WJWJ), Rock Hill (WNSC), Spartanburg (WRET), and Sumter (WRJA). The FCC does not require operation of regional stations; in South Carolina, SCETV is the only public television licensee.

The use of transmitters rather than regional television production studios could save approximately \$1.7 million annually in state funds.

Regional stations in Beaufort, Rock Hill, and Sumter began operation in the mid to late 1970s; the Spartanburg station was established in 1985. All of the stations, except Sumter, are housed at a local technical college or university. The Sumter station occupies a building owned by the city of Sumter and leased to SCETV at an annual cost of \$32,500.

Regional stations are involved in non-broadcasting and broadcasting projects. Non-broadcasting projects may include the production of tapes for local organizations such as the Chamber of Commerce.

Regional stations produce limited programs for broadcast which are geared to the needs of the particular community. Otherwise, the schedules of the regional stations are generally made up of programs from the SCETV network in Columbia, those originated by institutions of higher education and the Public Broadcasting System.

Funding

As of March 1995, the regional stations employed a total of 46 persons. In FY 93-94, funding for the stations included state funds, funds from CPB and from corporate underwriting (see Table 2.1). South Carolina regional stations do not receive financial support from local communities.

Table 2.1: Regional Stations

Regional Station	State Funds	CSG Funds ^a	Underwriting ^b	Total
Beaufort	\$404,009	\$402,284	\$4,762	\$811,055
Rock Hill	\$407,361	\$405,269	\$7,000	\$819,630
Spartanburg	\$411,349	\$406,248	\$3,000	\$820,597
Sumter	\$427,821	\$401,407	\$3,000	\$832,228
Total	\$1,650,540	\$1,615,208	\$17,762	\$3,283,510

a Community service grant (CSG) funds from the Corporation for Public Broadcasting.

b Corporate sponsorships.

Source: Corporation for Public Broadcasting, FY 93-94 Annual Financial Reports.

The regional stations received approximately \$1.6 million in CSG funds from the CPB in FY 93-94 (see Table 2.1). Amounts are determined based on the allocation of non-federal funds to the regional stations for the previous two years. To receive CSG funds, a regional station must employ a minimum of ten staff (five full-time and an additional five full-time equivalents) who are not to be paid with CSG funds. According to an agency official, SCETV uses state funds to meet minimum staff requirements at each of the regional stations.

Use of Television Transmitter Sites

Operation of a regional production station requires a transmitter site for that location. The production station is not housed at the transmitter site. A regional station requires equipment such as cameras, lighting, and audio and video monitors. Also, as previously noted, a minimum of ten staff is needed at each station to receive CSG funds.

A transmitter site requires a building, equipment and a transmitter tower. The site is usually monitored by one employee who operates the transmitter equipment. A transmitter requires repairs, supplies and electrical power. In FY 93-94, costs for operation of transmitter sites for the regional stations were approximately \$622,000 (see Table 2.2).

Table 2.2: Transmitter Operating Costs

FY 93-94			
Transmitter Location	Personal Services ^a	Maintenance ^b	Total
Beaufort ^c	\$75,654	\$50,387	\$126,041
Rock Hill ^c	\$77,183	\$60,685	\$137,868
Spartanburg	\$79,850	\$42,849	\$122,699
Sumter ^c	\$172,396 ^d	\$63,248	\$235,644
Total			\$622,252

a Includes salaries and benefits for transmitter operators, transmitter supervisors and area supervisors. Area supervisors are responsible for transmitters serving the regional stations and other stations.

b Includes the costs of repairs, supplies and electrical power.

c These sites transmit programs for a public television and a public radio station.

d An area supervisor, a transmitter supervisor, and four maintenance operators are employed at the Sumter station; the remaining three stations do not employ maintenance operators.

Source: SCETV.

SCETV operates 11 television transmitter sites including 1 at each of its 5 production sites, and 6 in or near the cities of Barnwell, Charleston, Conway, Florence, Greenville, and Greenwood. The six additional sites do not have production capabilities. These communities are served by transmitters which allow broadcasts to be relayed from SCETV's main production station in Columbia.

In our 1981 SCETV audit, we cited television transmitter sites as an alternative to operation of regional television stations. We recommended that SCETV give serious consideration to the costs and benefits of operating regional stations before establishing additional stations for which they had not made a commitment. At that time SCETV planned to operate stations in Spartanburg, Greenville, and Conway. However, only the Spartanburg station was established. According to an SCETV official, the remaining stations were not established due to a lack of state funding.

Public television officials in Georgia, Kentucky, Louisiana, Mississippi, and North Carolina operate transmitter sites but not regional stations. The Florida public television system is made up of independent stations which are not part of a centralized system and is, therefore, not comparable in this regard. An official in Georgia stated that transmitter sites are more cost-effective. Nebraska operates one production facility in addition to the main production facility.

The 1993 Report of the Twentieth Century Fund Task Force on Public Television (a not-for-profit and non-partisan fund that sponsors analysis of economic policy, foreign affairs, and domestic political issues) maintains that local stations, if operated, should be financially supported by the local communities they serve. According to this report, while local stations may contribute to the state's mission, their costs must be weighed against the effectiveness of other services.

Prior to August 1995, SCETV operated eight radio stations. Six stations were transmitter sites only (Aiken, Beaufort, Conway, Greenville, Rock Hill, and Sumter); two stations had both transmitters and production capabilities (Columbia and Charleston). As of August 1, 1995, SCETV disbanded the radio production facility in Charleston and reduced the staff of the radio station in Columbia. These measures are projected to save approximately \$369,000 in state funds annually.

According to an SCETV official, possible cuts in federal funds may result in closure of the regional stations. With pending budget cuts on the state level as well, it is imperative that SCETV use available resources in the most cost

effective manner. The use of transmitter sites rather than television production studios could save approximately \$1.7 million in state funds annually.

Recommendation

- 1 SCETV should terminate operation of regional stations in Beaufort, Rock Hill, Spartanburg and Sumter. The agency should use transmitter sites in these communities to provide programming.
-

Teleconferencing

The state has not exercised oversight to ensure that video conferencing capabilities are not duplicated between agencies.

Teleconferencing is interactive group communication through an electronic medium, joining people at two or more locations. Teleconferencing involves video or audio telecommunications. By providing communications at different sites, teleconferences reduce the need to travel to a central location and does not require reimbursement for lodging and meals.

We reviewed the coordination of video conferencing services between SCETV and other state agencies. In addition, we examined video conferencing as a cost savings measure. We were unable to review audio conferencing because SCETV does not estimate cost savings from audio conferencing.

Some state agencies operate their own studios which allows them to produce teleconferences. Development of an agency studio requires a physical facility and equipment including video cameras and monitors. These agencies (called origination sites) use the SCETV network to transmit teleconferences on a statewide basis. Without use of SCETV's network, the agencies would be able only to provide teleconferences from one location to a single destination. Agencies without studios have access to two studios at SCETV's production headquarters. The studios are available on a first-come, first-served basis.

In FY 93-94, a total of 56 agencies received teleconferencing services from SCETV. During this period, SCETV provided 646 video conferences and 774 audio conferences.

SCETV estimates that savings to state agencies from video conferencing totaled approximately \$14 million in FY 93-94. In FY 93-94, SCETV's in-kind costs to provide video conferencing (\$354,000) and audio conferencing

(\$260,000) services to state agencies amounted to approximately \$614,000. In-kind costs include SCETV services already in place such as camera, studios, and staff (see p. 43).

Coordination of Services

The state has not exercised oversight to ensure that video conferencing capabilities are not duplicated between agencies. State agencies within the same geographical area currently operate or plan to establish studios (see Table 2.3). For example, as of December 1994, seven origination sites were located in Columbia including SCETV, the University of South Carolina, the Department of Health and Environmental Control, the Department of Commerce, the Criminal Justice Academy, the State House, and the State Department of Education; four other sites were planned. In Rock Hill, there were two origination sites with one site planned. Finally, in Orangeburg two origination sites were planned.

**Table 2.3: State Agency
Origination Site as of December
1994**

Location	Established	Planned	Total
Beaufort	2		2
Charleston	1	1	2
Cheraw		1	1
Clemson	1		1
Columbia	7	4	11
Conway	1	1	2
Denmark		1	1
Florence		1	1
Greenville	1	1	2
Greenwood	1		1
Hartsville		1	1
Orangeburg		2	2
Rock Hill	2	1	3
Spartanburg	1	1	2
Sumter	1	1	2
Total	18	16	34

Source: SCETV.

An SCETV official stated that SCETV may only advise an agency on equipment needs; they do not review the need for a studio. State Regulation 19-445.2000B.(4)(b) provides that the State Budget and Control Board's Office of Information Technology Policy and Management is to approve agency information technology plans. However, according to an official of this office, this review is not regulatory in nature. Rather, the review generally involves approval or deferral of a request to obtain additional information.

Proviso 14.58 of the appropriations act for FY 91-92 required SCETV to review and evaluate agency video-related applications to ensure they do not duplicate resources through SCETV. The requirement no longer exists.

When studios are established without regard to existing studios in the same geographical area, the feasibility of sharing state facilities or equipment may not be assessed and unnecessary expenditures may be made. In January 1995, SCETV projected the costs of equipment for a proposed studio to be approximately \$120,000. Based on this figure, costs to establish the proposed sites could amount to over \$1.9 million.

Cost Savings

We reviewed video conferencing as a cost savings measure by examining SCETV's estimates of savings. We were unable to determine the basis for SCETV's estimates of commercial rates. However, SCETV estimates of savings from the use of their system over commercial systems accounted for approximately 49% of SCETV's total estimated savings from video conferencing in FY 93-94 (\$7 million of \$14 million) (see Table 2.4).

Table 2.4: SCETV Estimate of Savings From Video Conferencing—FY 93-94

Source	Amount of Savings	% of Savings
Travel	\$4,103,625	28%
Productivity	\$3,282,900	23%
Commercial Rates	\$7,060,522	49%
Total	\$14,447,047 ^a	100%

^a Includes \$353,840 for video conferencing in-kind costs.

Source: SCETV Annual Report.

The formulas used by SCETV to estimate cost savings to the state from video conferencing are based on the following factors.

- Savings from travel due to persons not having to travel to a central training site.

$$(\# \text{ of events} \times \text{miles traveled (150)}) \times (\# \text{ of participants} \times \text{mileage reimbursement (25¢)})$$

- Savings from productivity due to the employee being at or near the workplace rather than traveling to the training site.

$$(\# \text{ of events} \times \# \text{ of participants}) \times (\text{travel time (3 hours)} \times \text{hourly rate (\$10)})$$

- Savings as a result of SCETV rather than the private sector providing video conferencing service.

$$(\text{Estimated commercial rate}) \times (\# \text{ of events})$$

We found the estimated cost savings from travel and productivity to be conservative. Travel mileage was calculated based on a round trip of 150 miles with reimbursement at the present state rate of 25¢. This seems reasonable considering that much training conducted by state agencies would be provided in Columbia. Further, we concluded that it was conservative to calculate productivity only for travel hours at an hourly rate of \$10.

However, we were unable to determine the basis for SCETV's estimates of commercial rates.

According to an SCETV official, the formulas to calculate savings were developed approximately four years ago to measure the value of teleconferencing to the state. This official stated that documentation on the actual commercial rates was not maintained.

We attempted to determine if the commercial rates used by SCETV to estimate savings were reasonable. We contacted the five companies listed under the heading of "Teleconferencing Services" in the Columbia telephone directory and we were not able to obtain comparable rates. Three of the companies provided audio conferencing services only. The fourth business, a major telecommunications company, works with three vendors that provide video conferencing services around the country. Only two of the three vendors had established sites in South Carolina. The rates of these vendors were based on participants traveling to limited sites for service; also, both participants could only provide services to a small number of participants at any one time. Finally, a local company that offers video conferencing services did not provide estimates to the audit council as requested.

We interviewed officials in Florida, Georgia, Kentucky, Louisiana, Nebraska, Mississippi, and North Carolina to determine if savings from video conferencing were reported in these states. None of the states estimate cost savings from video conferencing. However, in Florida, estimated savings from one video conference were based only on savings from travel (includes lodging and meals).

Based on information from private vendors and from other states, we could not determine whether use of SCETV rather than the private sector is more cost-effective for video conferencing. SCETV has estimated cost savings based on travel, productivity and commercial rates totaling at least \$71 million from FY 88-89 to FY 93-94. For FY 86-87 and FY 87-88, the agency based cost savings only on travel and productivity excluding commercial rates. Without documentation of commercial rates, there is less assurance that video conferencing provided by SCETV is the least-cost alternative.

Recommendations

- 2 The General Assembly may wish to consider requiring SCETV in conjunction with other state technical experts to review the need for proposed studios at state agencies. This may include possible sharing of facilities among agencies in the same area.
 - 3 SCETV should update and document commercial rates for video conferencing to ensure that these services are provided in a cost-effective manner.
-

The Satellite Educational Resources Consortium

The Satellite Educational Resources Consortium (SERC) was created in 1988. It is headquartered in Columbia and production services for some courses are provided by SCETV staff.

The U.S. Department of Education awarded the consortium a total of \$9.7 million in its first two years of operation. The SCETV Endowment contracts with SERC and administers the program. SCETV chose to produce 4 of the 12 SERC courses and is reimbursed by the endowment.

The original intent was for state and local agencies of education and public broadcasting to combine their technical and production capabilities to deliver live, interactive courses in critical subject areas that would otherwise be unavailable to schools that are geographically isolated or economically disadvantaged. In 1995, SERC served over 500 schools and more than 5,000 students in the 21 states that are members of the consortium; 17 South Carolina schools and 390 South Carolina students participated.

SERC currently offers 12 courses for high school students. SCETV produces four of these courses—Russian I, Russian II, advanced placement (AP) macroeconomics, and AP microeconomics. We reviewed SCETV's management of the production of these four SERC courses and found the following.

Cost Efficiency of SERC Project

The SERC project is increasingly more expensive for SCETV to produce. For FY 92-93, SCETV's unreimbursed production costs were \$368,472. Unreimbursed costs rose to \$512,914 in FY 93-94 and are projected to be \$601,234 in FY 94-95, as shown in Table 2.5.

Teacher salaries, supplies and materials, and other administrative costs are paid directly by the SCETV Endowment with revenues it receives from SERC. Production costs for the four South Carolina-produced courses are borne directly by SCETV. At the end of the year, if funds remain in the endowment's SERC account, SCETV is reimbursed that amount to help offset its production costs.

**Table 2.5: Production Costs and
Reimbursement for SERC Courses**

Costs and Reimbursement	FY 92-93	FY 93-94	FY 94-95 ^a
SCETV Production Costs	\$542,568	\$601,234	\$601,234
Endowment's Reimbursement to SCETV	\$174,095	\$88,319	\$0 ^b
SCETV Unreimbursed Production Costs	\$368,472	\$512,914	\$601,234

^a Projection.

^b The SCETV Endowment's expenditures exceed the funds received from SERC; therefore, SCETV will not receive a reimbursement.

Source: SCETV.

Reimbursement Methodology

FY 92-93 and FY 93-94

In FY 92-93 and FY 93-94, SERC paid the producing states a base grant of \$65,000 for a one-year course and \$32,500 for a one-semester course. These states also received \$150 per student for the one-year language course and \$75 per student for the one-semester, non-language course.

In FY 92-93, the SCETV Endowment received \$370,685 from SERC. This included base grants of \$195,000 and \$175,685 in tuition fees for 1,471 students. The endowment expended almost \$200,000 in administrative costs, which included a 10% management fee paid to the endowment. SCETV's production costs for FY 92-93 were \$542,568. The endowment reimbursed SCETV \$174,095 of this amount. Therefore, SCETV's unreimbursed production costs totalled \$368,472 for FY 92-93 (see Table 2.5).

In FY 93-94, enrollments in the four courses declined to 861 causing a drop in the SERC payment to the endowment, and a decline in reimbursements from the endowment to SCETV. At the same time, SCETV's production costs rose to \$601,234 in FY 93-94, which resulted in unreimbursed costs of over a half million dollars (\$512,914) (see Table 2.5).

FY 94-95

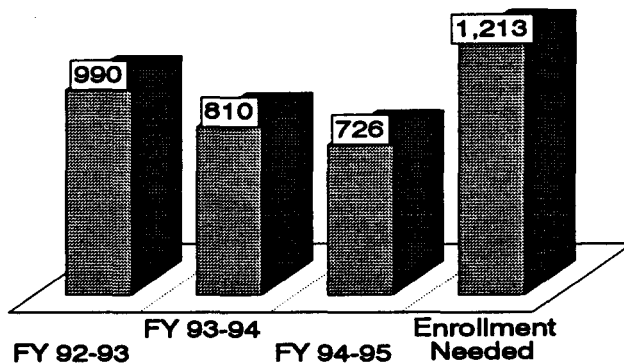
Beginning with FY 94-95, SERC will discontinue paying a base grant to producing states. They will also raise the per-pupil rate to \$300 for a one-year course and \$150 for a one-semester course. This change in the payment policy makes reimbursement to the producer states more dependent on student enrollment.

According to contracts for the FY 94-95 school year, the SCETV Endowment will receive \$181,780 from SERC. This decrease in funds from SERC will impact SCETV's ability to offset its production costs. We determined that the funds the endowment received from SERC will not cover the endowment's administrative expenditures. This means that SCETV's production division will bear the total expense (\$601,234) of producing the four SERC courses (see Table 2.5).

Future Projections

In order for SCETV to recover 15% of its production costs (the amount currently required of state agencies and non-profit organizations), we estimated that enrollment in SCETV courses would need to increase by 67% (from 726 to 1213) (see Graph 2.1).

Graph 2.1: Enrollment in SERC
Courses Produced by SCETV



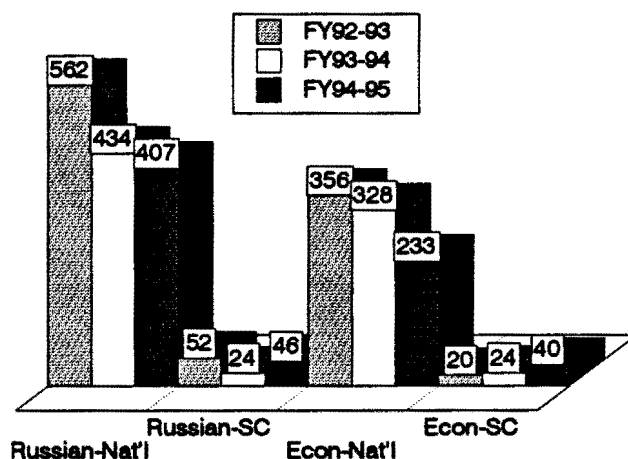
Studio Location

In FY 93-94, SCETV began producing the SERC courses from two different locations, resulting in increased total expenditures. In FY 92-93, SCETV produced all four SERC courses at the Columbia location at a cost of \$542,568. However, in FY 93-94, SCETV's Rock Hill regional television station, WNSC-TV, began producing the two AP economics courses. We estimated that SCETV spent approximately \$73,000 to produce these two courses in Rock Hill. In that same year, the Columbia production costs for the Russian courses totalled \$528,064. Therefore, the total production costs for the four SERC courses approximated \$601,234 for FY 93-94, representing an increase of \$58,666 (11%) over FY 92-93.

Lack of Awareness of SERC Courses Produced by SCETV

SCETV production costs have risen and reimbursements have decreased; enrollment in four South Carolina-produced SERC courses has declined. While the enrollment of South Carolina students has not dropped in total numbers, it is still small in comparison to national figures. For example, in FY 94-95, only 86 South Carolina students were enrolled in this program. This constitutes 12% of the total enrollment of 726 students. National enrollment in the 12 SERC courses has been steadily declining since FY 92-93 (see Graph 2.2).

Graph 2.2: Enrollment in SC
SERC Courses



One reason for South Carolina's low enrollment figures is the lack of awareness of the SERC program among area schools. South Carolina students who elect to take other SERC courses receive a 40% discount toward those courses. Without a commitment to market and promote this program, South Carolina schools will continue to have limited exposure and awareness which may lead to additional declines in enrollment.

During our review, SCETV officials were recruiting for an educational services manager for the division of school services. This person will be responsible for managing the SERC program's resources and staff, as well as marketing the program to area schools.

Adequate Tracking of Staff Time and Resources

SCETV staff and personnel are not required to regularly track their time spent producing the four SERC courses. We found that in FY 93-94, the producers and directors based in Columbia were required to turn in time sheets at the end of the year. However, the personnel in Rock Hill were not required to account for their time. If SCETV does not require staff members to keep track of their time, it is difficult for the agency to determine accurately what resources are being utilized in the implementation of this project (see p. 37).

Recommendations

- 4 SCETV should reconsider its financial commitment to the SERC project, in light of limited enrollment.
- 5 If SCETV decides to continue its production of SERC courses, management should require personnel to track time and resources utilized in this project.
- 6 If SCETV decides to continue its production of SERC courses, SCETV staff should determine if it would be more cost efficient to centralize the production of all SERC courses in the new production facility in Columbia.
- 7 SCETV should formulate a marketing plan that would increase the awareness of the SERC programs.

Instructional Television

The current system of instructional television (ITV) is fragmented and may impede accountability. SCETV has technical responsibility for ITV programs (production and broadcast) while the primary administrative control belongs to the State Department of Education. Further, SDE has not conducted utilization surveys of ITV. Thus, no formal measurement of outcomes exists.

ITV involves the use of video and audio resources for student and staff development during the school day from 8 AM to 4 PM. ITV programs are to enhance the school curriculum.

In 1969, ITV was transferred from SCETV to SDE through a joint agreement between the two agencies. While terms and conditions of the agreement are not clear, in part SDE's role is to be responsible for "the development, acquisition, scheduling and utilization of instructional television and radio resources to be used in the public schools by students, teachers, and adults." SCETV is to provide technical support for ITV programs.

According to SDE, in FY 93-94, the agency budgeted \$122,425 for ITV resources including \$83,725 for the project budget (i.e., funds to lease programs) and \$38,700 for the staff development budget. Additionally, SDE expended approximately \$461,000 for salaries and fringe benefits. These costs were incurred by 11 SDE employees working for ITV. Another employee has responsibility for additional instructional technology areas at SDE. According to SCETV, for the same time period, SCETV's production division's costs for ITV amounted to approximately \$130,000; 20% of SCETV production staff time was spent on ITV functions.

Also, personnel from SDE and SCETV stated that over the past several years SDE has focused less on ITV and more on programs involving the use of computers to reduce paperwork. SCETV has not established a formal budget for ITV functions at SCETV.

We contacted officials in seven states (Florida, Georgia, Kentucky, Louisiana, Mississippi, Nebraska, and North Carolina) and found that instructional television is part of the SCETV-equivalent agency in four of the states (Georgia, Kentucky, Louisiana, and Mississippi). According to an official of the Georgia Public Telecommunications Commission, their ITV section was originally part of the Department of Education; however, this proved to be inefficient. Once schools in Georgia obtained satellite dishes, the commission assumed the responsibilities of ITV operations. SCETV and SDE have proposed that satellite dishes be installed in all schools.

According to SCETV Commission minutes, the two primary reasons for the 1969 transfer were that SDE should make curriculum decisions and that ITV would gain greater acceptance in the classroom if administered by SDE. These situations have changed. First, SCETV has participated in curriculum decisions, with the SERC program being a prominent example (see p. 14). Second, ITV has been in the classrooms of most South Carolina schools for over 30 years and its presence is generally accepted.

Although ITV was transferred to SDE, state law provides that SCETV is to make "a complete study of the use of educational television and its adaptation for instructional purposes in all of the public schools of the State" and report the outcomes periodically with recommendations to the General Assembly. The agency has not complied with this requirement (see p. 47).

In 1992, the General Assembly provided in §59-31-65 of the South Carolina Code of Laws that instructional technology and other similar materials be funded with appropriations provided for textbooks. The SBE is responsible for promulgating regulations implementing this section. No regulation exists that specifically cites §59-31-65 as statutory authority. However, SDE has indicated they will request that this section be added as statutory authority to Regulation 43-70. According to SDE, §59-31-65 gives the SBE the sole responsibility to select and approve instructional technology resources, including video and broadcast resources. It is unclear how this responsibility fits with SCETV's responsibility for providing a statewide educational communications network.

It is important to examine the effectiveness of ITV under its present structure considering changes since the transfer and the varied duties of SDE and SCETV regarding ITV. Such an analysis would help to ensure that ITV resources are used in areas where the greatest need exist.

Recommendations

- 8 The State Board of Education and the South Carolina Educational Television Commission should conduct a comprehensive study to determine the effectiveness including the appropriate placement of instructional television. This report should be submitted to the General Assembly by January 1, 1997.

- 9 The General Assembly may wish to consider the study in enacting and amending legislation regarding the administration of instructional television services.
-

ITV Utilization Surveys

ITV program utilization studies are not performed, and there is no formal measure of program outcomes. Utilization surveys were used by ITV to determine what programs teachers selected for student use and what they would like to see in future school years. These surveys were last conducted by SDE during the 1990-1991 school year. The surveys provided both SDE and SCETV with vital information. Without utilization studies, it is conceivable that some programs are being aired with negligible viewership in South Carolina schools.

According to an SDE official, the surveys were discontinued after 1991 due to negative feedback by school district officials over the amount of classroom time required to complete the surveys. Also, SDE staff stated that the surveys were filled out incorrectly. One SDE official added that using sampling techniques with the surveys would be just as accurate. However, this has not been done.

Without utilization surveys, it is conceivable that some programs are being aired with negligible viewership in South Carolina schools.

Utilization studies are important because they provide information about the number of teachers and students who use instructional television programs and the type program desired. The survey is one method that may be used in conjunction with other methods to allow overall evaluation of the effectiveness of instructional television.

We contacted seven states—North Carolina, Georgia, Florida, Mississippi, Louisiana, Kentucky, and Nebraska. All states but Florida conduct some form of utilization measurement.

The format of utilization studies should be carefully considered. Georgia conducts random sample surveys and maintains contact with media specialists, who in turn receive feedback from instructors.

During our exit process, an SDE official stated that in FY 95-96, the agency will conduct a statewide technology needs assessment; usage will include ITV.

Recommendations

- 10 ITV should conduct surveys or other utilization studies in schools in South Carolina to determine the use of instructional television programs and the needs of schools. This information should be used as part of an overall evaluation of program outcomes.
-

Digital Satellite System

We were asked to review SCETV's planning for statewide technology. The primary focus of our review was the agency's decision to use a digital satellite system rather than another technology. Our review revealed that the agency's primary considerations were costs, access to service, and integration with other systems used in South Carolina.

SCETV implemented a digital satellite system as a means to expand services to users of the state network. SCETV's primary customers are the public schools, colleges, and universities.

The satellite system costs approximately \$18.5 million including a one-time purchase of a satellite transponder (\$10.4 million), satellite dishes and other equipment (\$8.1 million). The transponder, warranted for ten years, receives signals from various sites around the state and transmits programs through satellite.

The system will increase the number of channels on the SCETV network from 4 to 32. According to an SCETV official, all channels are projected to be fully operational by January 1996. As a result, additional access to the network will be available to SCETV users. For example, SCETV is proposing creation of a "Business Channel" to provide training to workers in private industry. Also, by purchasing a satellite downlink, law enforcement entities from around the state will receive training through the satellite service.

The satellite will provide services including:

- Staff development courses for teachers and public school employees.
- Distribution of instructional television programs and courses.

- College credit courses.
 - Professional programs for medical personnel at rural medical sites.
-

Alternatives

As noted, SCETV's goal was expansion of statewide services. Due to the need to deliver programs over a wide range, SCETV considered a digital satellite system and a fiber optic system.

The digital satellite system permits multiple television signals to be compressed and sent over a single satellite channel. The cost of satellite transmission is not related to distance. Therefore, the technology is cost-effective for delivery of programs regardless of the coverage area.

A fiber optic system is equipped for transmission of multiple channels but requires fiber cables to be installed from each origination location and connected to every location involved. The cost of fiber optic is directly related to distance and location. As a result, a fiber optic system is expensive for delivery of signals over wide ranges.

SCETV estimated the costs of a fiber optic system (based on the costs of fiber in North Carolina) and a digital satellite system for use in the state's 1,109 K-12 schools. Based on these projections, start-up and annual costs for a fiber optic system were approximately 900% more than one-time costs for a digital satellite system (\$168 million as compared to \$18.5 million), see Table 2.6. Additionally, while the cost of a fiber optic system included only the public schools, the satellite would provide services statewide including higher education, medical schools, law enforcement, and other entities. Further, the fiber optic system provided access to 1 channel compared to the availability of 32 channels with the digital satellite system.

Table 2.6: K-12 Schools—Fiber Optic System vs. Digital Satellite System

	Fiber ^a	Satellite	Difference
One-Time Charge ^b	\$73,194,000	\$18,545,000	\$54,649,000
Annual Operating	\$94,486,000	\$1,854,000 ^c	\$92,632,000
# Channel/Service Lines	1	32	
Hours of Usage	16 ^d	Unlimited	

a Based on the costs of fiber in North Carolina.

b For fiber, includes school equipment and connecting fees; for satellite, includes a satellite transponder (\$10,400,000), satellite dishes, and other equipment.

c To determine annual operating costs, total satellite costs were divided by ten. The satellite has an estimated life of ten years.

d The unit of measurement is hours per week. Additional time is available for approximately \$65 an hour per school.

Source: SCETV.

North Carolina uses a combination of a satellite system and a fiber optic system. According to an official of the North Carolina Agency for Public Telecommunications, fiber optic is very expensive to maintain and to operate. This official stated that for statewide use, the satellite system is a more cost-effective alternative.

Further, the state of Kentucky uses a satellite system for program distribution. According to a public television official in Kentucky, fiber optic was considered but determined to be too expensive for coverage of wide areas.

As noted, the satellite transponder is warranted for ten years. According to an SCETV official, the cost of fiber cable may be significantly less after this ten-year period. A fiber optic system may then be a viable option for statewide expansion.

Integration of Existing Technologies

SCETV officials stated that in planning expansion, consideration was given to investment in existing systems in South Carolina. This included use of the Instructional Television Fixed System (ITFS), a statewide microwave system, and limited use of a fiber optic system.

The ITFS is a microwave system that provides closed circuit capabilities to schools equipped to receive the signal. The system is used in tape and delay centers. The ITFS allows schools in conjunction with SCETV to develop and transmit live, interactive lessons in certain subject areas within each district that has access to a tape and delay center. Presently, the satellite in conjunction with the ITFS can transmit programs statewide.

SCETV operates a statewide microwave system used to feed programming from the SCETV main center in Columbia to ITFS transmitters. The microwave also interconnects additional sites over the state that feed programs into the main center. The microwave system will continue to be used to interconnect sites.

Fiber is already used in South Carolina on a limited basis. Fiber optic cable is used in the Columbia State Office Complex and the State Law Enforcement Complex. However, according to an official of the State Budget and Control Board's Office of Information Resources, the fiber in these areas is for audio and data transmission rather than video transmission.

As noted, SCETV's goal was expansion of statewide services. Digital satellite technology is cost-effective for delivery of programs regardless of the coverage area. A fiber optic system is expensive for delivery of signals over wide ranges. Further, the fiber optic system would provide access to 1 channel compared to the availability of 32 channels with the digital satellite system. A fiber optic system may be a viable option for statewide expansion in the future.

Tape and Delay Centers

In our 1981 audit, we recommended that the General Assembly cease funding tape and delay centers because their utilization could not justify the cost. However, over the last several years, a new mission has been added to these centers.

SCETV has operated tape and delay centers since 1969. Originally, the primary purpose of these centers was to serve an individual school district's scheduling needs by providing ITV programs over closed circuit channels for teachers as requested, or by taping ITV programs and sending the video tapes to teachers for use when convenient. Furthermore, tape and delay centers offer the convenience of scheduling programs to fit classroom schedules and local curricula needs. There are 21 centers located throughout South Carolina, providing service to 50 of the 91 state school districts. SCETV owns 8 of the buildings in which the centers are located; the other 13 centers are located in school district buildings. The tape and delay centers are staffed by local school district employees; SCETV provides technical support since most of the equipment is owned by the network.

In 1992, SCETV began to redirect the tape and delay centers' mission by incorporating short-distance learning through ITFS. This concept allows the schools, in cooperation with SCETV, to develop and transmit live, interactive lessons in certain subject areas within each district having access to a tape and delay center. SCETV targeted this technology to the rural school districts of South Carolina since they are less likely to have teachers for all academic disciplines. According to SCETV personnel, the subject areas taught filled existing needs within a particular school district.

For FY 93-94, four tape and delay centers offered a total of eight for-credit courses using ITFS. Three courses were college credit courses for high school students, four were high school courses, and one was an elementary course. During the same year, short-distance learning was used for adult education courses, student enrichment offerings, and staff development. The cost of this technology ranges from about \$7,000 to \$9,000 per center and includes camcorders, monitors, and microphones. Typically, SCETV and the participating school district(s) have shared the incurred cost, or obtained grant funding.

An example of the changed mission of the tape and delay centers is the short-distance learning pilot program started for the Marlboro County School District. SCETV advised the school district on installing short-distance learning technology equipment at a cost of \$8,743, all paid for by the school district. During the 1993-94 school year the equipment enabled middle school students to take daily courses in pre-Spanish, advanced English, and Algebra I. One instructor per course taught 32 students located in 5 sites in Marlboro County. This program saves Marlboro County the expense of hiring separate teachers for each of the five middle schools. According to recent data, the average salary of a teacher in Marlboro County is \$27,445.

We reviewed the last two fiscal years' records to determine the cost borne by SCETV for the tape and delay centers. The two-year cost total was \$283,299 for 21 sites. We could not determine any cost per student because no utilization measurements are made. SCETV hopes to expand the tape and delay centers to provide the remaining 41 school districts with short-distance learning. The estimated costs would be \$19.2 million in initial equipment costs and \$1.4 million in recurring maintenance, replacement, and repair costs. These costs would be phased in over a five-year period.

Short-distance learning technology is still in its early stages and is showing promise as a low-cost alternative for school districts that cannot afford teachers of a particular discipline for each school. SCETV should measure the outcomes of use of this technology.

Recommendation

- 11 Utilization studies should be employed for the tape and delay centers to determine the usage and effectiveness of the centers.

Consolidation of Production Resources

If production resources were combined, SCETV could more efficiently schedule projects and allocate resources where needed.

SCETV's production staff is organizationally placed in two different divisions and should be consolidated. SCETV has not divided the programming and production divisions by function, but according to the clients they serve or the types of programs they produce.

Traditionally, programming and production divisions are designed to perform different functions. Programming usually handles the evaluation, selection, and scheduling of programming materials for an entire network or station. Production usually produces a program or tape, which may include script writing, gathering footage, and editing. SCETV's programming division produces over 200 hours of open circuit television programs each year in the areas of news and public affairs, cultural affairs, minority affairs, and science and nature. The production division produces tapes and provides services for outside clients and entities. However, both divisions have separate production staffs.

Production Duplication

The programming division has a separate field production group which is composed of six electronic field production (EFP) specialists, while the production department has nine EFP specialists. According to agency officials, the skills and levels of expertise are identical for both production crews. However, the programming division cannot independently produce a program for broadcast. The programming staff can write the script and gather the footage, but they still have to rely upon the production division's resources to assemble or edit the product into finished form. The production division also routinely provides staff and equipment for programming's studio productions.

Additionally, the programming and production divisions are presently housed in separate SCETV facilities. However, the construction of the new technical facility is nearing completion, and would provide adequate space for the physical consolidation of production staff and equipment.

It should be noted that there are an additional eight EFP staffers in SCETV's four regional stations. Our report has recommended that SCETV disband these regional stations (see p. 37).

Production Division Backlog

The production division is currently unable to fulfill the numerous requests that it receives. SCETV officials attribute this backlog to decreasing staff and limited resources. We were unable to determine the length of this backlog, but an SCETV official stated that there is a 6–8 month waiting period for scheduling edit projects. Furthermore, the agency does not keep records of the number of requests that were rejected due to the overload in the production division.

To lessen some of the backlog, the production division has occasionally requested a programming staffer to be loaned to the division, and the programming division has been able to shift personnel to accommodate this request. If production resources were combined, SCETV could more efficiently schedule projects and allocate resources where needed. Furthermore, an SCETV vice-president indicated that a merger would allow better control and management of *all* production resources. This official also stated that a consolidation would help to alleviate some of the current overload.

Inability to Track

An SCETV vice president indicated that the biggest problem with having two separate production groups is that the agency cannot determine program costs for the programming division. The programming division does not regularly track staff time or resources. Staff are required to turn in time sheets; however, these records do not indicate specific projects or tasks. Without on-going documentation of staff time, the programming division cannot calculate program costs or determine if they are maximizing the use of their staff and equipment (see p. 42).

For several years, SCETV management has considered consolidating production resources. An SCETV official spoke in favor of restructuring as a method of increasing the network's accountability and improving the tracking of resources.

Recommendations

- 12 SCETV should consolidate production staffs in order to increase efficiency and effectiveness.
- 13 SCETV should retain information on all requests for production services including those that are not fulfilled by the agency.

Chapter 2
Delivery of Educational Communications Services

Revenue Issues

Some organizational and administrative practices inhibit SCETV's full realization of revenue opportunities. This chapter recommends changes in marketing, grants coordination and reimbursement for services.

Marketing of SCETV Services

SCETV's marketing practices do not adequately promote the availability of SCETV's services and products to present and potential users. SCETV provides an extensive and comprehensive array of services to various state agencies, schools, and businesses. However, SCETV's internal policy on marketing allows for a fragmented style that does not result in an agency-wide, consolidated approach to marketing.

In 1985, SCETV established a marketing department. The director of marketing is to serve as the network's liaison to marketing for all markets, to develop and oversee the logistics of marketing within the network, to create new or revised systems to track marketing services, and to review the effectiveness of those systems. The director's position has been vacant since June 1994. We found that the marketing department in practice does not have any direct involvement in the promotion of SCETV's services. The department primarily sells and distributes videotapes, which in FY 93-94 produced \$297,341 net revenues. In addition, we found that SCETV's internal policy permits different SCETV divisions to handle their own marketing within the state.

The result of SCETV's fragmented approach is that marketing services are not being tracked or measured.

The Kentucky Authority for Educational Television has an integrated marketing and sales department. Each year, this division publishes a year-in-review brochure which promotes the agency's varied services and products in the fields of education, arts, public affairs, and special projects. Furthermore, the agency produces a catalog of products that are available for purchase including videotapes, software, books, and seminars. According to an agency official, the department has been able to post an average 20-25% return to the state each year.

SCETV officials believe that a consolidation of marketing duties would be difficult because of the range in services offered by the agency. However, with declining fiscal resources, it may be more effective for SCETV to broaden its marketing focus beyond selling videotapes. This is particularly crucial with the numerous and distinct services that SCETV offers and will continue to introduce in the future. Additionally, marketing can be a very useful part of the network's strategic planning.

Finally, SCETV cannot measure the effectiveness of marketing services without determining the cost and income that are attributed to the function. The result of SCETV's fragmented approach is that marketing services are not being tracked or measured. It is imperative that in times of declining revenue, SCETV make every effort to focus this program to its greatest advantage.

Recommendations

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- 14 SCETV should appoint a director of marketing.
 - 15 SCETV should ensure that all marketing activities are coordinated by the marketing department. The director of marketing should serve as the liaison and coordinator of all marketing activities within the agency, and handle the duties of tracking and reporting of marketing revenue and expenses.
 - 16 SCETV should expand the mission of its marketing department to include additional marketing functions such as marketing research, identification and evaluation of new market opportunities, and aggressive promotion of existing services.

Management and Administration of Grants

SCETV's management and administration of grant applications needs improvement. Problems exist in duplication of staff duties, identification of grant opportunities and lack of centralization of the grant application process. Streamlining and improved coordination in these areas may result in increased grant awards and cost recovery for the network.

Duplication of Duties

The job description for the director of planning, research, and grants (the director) requires the individual to write grant proposals and serve as the agency's clearinghouse of information regarding grants proposed, pending, or secured by all departments at the agency.

However, according to agency officials, six other departments also write grants. These include:

- National Programming (handled by the SCETV Endowment).
- Continuing Education.
- Production.
- Programming.
- Radio.
- Early Childhood National Programming.

In practice, the director handles only large federal grants, and becomes marginally involved in the other grants pursued by the agency.

Identification of Grant Opportunities

SCETV does not have an adequate system for identifying grant opportunities for all agency projects. The director is a member of three committees that review agency projects. However, these committees only review projects that are for SCETV's open-circuit programming. Projects that SCETV does not broadcast are examined through the Project Information Exchange Group (PIEG) in a weekly telephone meeting of agency staff. The director is not a member of this group and therefore cannot identify potential grant funding for these projects.

The director states that she routinely reviews periodicals that list funding opportunities, summarizes the information and routes it to the appropriate agency staff. However, SCETV does not have an agency-wide system for ensuring that the director reviews all agency projects for potential grant

funding. For instance, the continuing education division manages and submits grants independent of the director's office. The director's role in these grant applications has been advisement, after the potential funder has been identified.

Centralization of Grant Application Process

SCETV received \$573,035 in non-federal grants in FY 93-94. These grants were used to provide network radio and television programming and to support the agency's outreach efforts. (We excluded from our review grants that were handled by the SCETV Endowment.) The director was not involved in the writing or reviewing of any of the grant applications. In fact, she stated that during FY 93-94, she provided assistance on four proposals to federal agencies for grants, submitted one report, and submitted one proposal for grant funding. SCETV received funding for only one of these proposals.

The Kentucky Authority for Educational Television recently restructured its grants department and has two employees whose primary focus is the coordination, writing and preparation of education and programming grants. This agency also has a two-person committee, composed of the agency's executive and deputy directors, which reviews all grant applications to ensure that the agency does not commit more of its resources than is practical or feasible. According to an agency official, the station has realized an appreciable increase in grant awards since the reorganization. This official indicated that their station has received large grants that they would not have pursued before the restructuring. The complexity and need for timeliness of grant applications requires a staff that is designated solely to the grant process.

SCETV officials agree that there is a need for a centralized coordination and tracking of grants. In the current structure, SCETV cannot determine if multiple departments are competing for the same award. Also, without a centralized tracking of grants, SCETV is unable to gather data to evaluate the agency's effectiveness in its efforts to secure grant funding. The pursuit of grants is particularly significant in light of declining fiscal resources; grant funding should be maximized.

Recommendations

- 17 SCETV should ensure that the director of research, planning, and grants serves as a clearinghouse for all grants sought by the agency.
 - 18 SCETV should ensure that grant information is maintained in a format that would allow for measurement of agency effectiveness and efficiency in seeking and receiving grant funds.
-

Services Billed to Other Organizations

SCETV does not have consistent agency-wide procedures for determining and tracking the costs of services it performs for outside users. If SCETV's costs are understated, revenues from billings would be reduced. In FY 93-94, SCETV billed other organizations over \$3.9 million, an increase of approximately \$1 million over FY 92-93.

We reviewed documents and interviewed staff in six SCETV divisions to determine how SCETV tracks services to other organizations. SCETV provides services to state agencies, colleges and universities, non-profit organizations, for-profit organizations, and sales to individuals. For FY 93-94, over 60% of the invoices were for services to private non-profit organizations (see Table 3.1.).

In our review, we focused on eight functions or projects that accounted for over \$2.6 million (67)% of SCETV's total revenue for services in FY 93-94 (see Table 3.2). For six of these projects, we found no material problems in the tracking of costs. However, the adequacy of SCETV's procedures for tracking staff time, facilities, and equipment varies widely between divisions.

Table 3.1: Revenues by Type of Client FY 93-94

Client	Amount	Percentage
Private, non-profit organizations	\$2,387,459	61%
South Carolina public colleges and universities	\$744,810	19%
State agencies	\$489,672	13%
For-profit organizations	\$133,166	3%
Out-of-state public colleges and universities	\$95,070	2%
Sales to individuals	\$56,819	1%
Private colleges and universities	\$6,644	< 1%
Total	\$3,913,640	100%

Source: SCETV financial records.

Table 3.2: FY 93-94 Revenues for SCETV Services to Outside Users

Client	Project	Amount Billed	%
Medical University of South Carolina	Production services for "EHAP" environmental hazard project	\$651,362	17%
Early Childhood Professional Development Network (ECPDN)	Production services, phone, travel re: satellite training of day care workers	\$622,459	16%
Various colleges and state agencies	Installation of satellite receiving or studio equipment	\$337,236	9%
Southern Educational Resources Consortium (SERC)	Data lines, phone lines, toll-free telephone service	\$288,404	7%
National Association for Education of Young Children (NAEYC)	Videotape duplication	\$209,580	5%
National Instructional Satellite Systems (NISS)	Satellite services and interconnect fees	\$194,182	5%
Criminal Justice Academy	Production services and printing for "Crime to Court" series	\$183,918	5%
SCETV Endowment	Printing of monthly program guide	\$123,636	3%
	Revenues for these eight projects	\$2,610,777 ^a	
	Total revenues for all SCETV billable projects FY 93-94	\$3,913,640	
	Revenues from projects reviewed as percent of total billings for services		67%

^a Because we only included invoices over \$5,000, the totals we cite understate SCETV's revenues for the functions and projects we reviewed.

Source: SCETV Records.

Production Division

While SCETV's production division handbook requires that its staff submit accurate information on use of time and equipment, it does not specify how this information is to be maintained. We reviewed records for the following three production division projects.

Environmental Hazard Project (EHAP)

SCETV produced a series of projects for the Medical University of South Carolina on environmental hazard assessment. SCETV billed over \$651,000 for this project in FY 93-94. Comprehensive tracking records are maintained for the EHAP project. We found no problems with documentation or procedures for tracking EHAP project costs.

Early Childhood Professional Development Network (ECPDN)

The ECPDN project trains day care workers through programs produced at SCETV and distributed by satellite to Head Start centers in remote locations throughout the United States and its territories. SCETV billed over \$622,000 for this project in FY 93-94.

Our review of billing records for ECPDN studio productions found that for April and May 1994, the SCETV production department prepared one set of billing documents, while ECPDN staff prepared another. The two sets of itemized project costs vary by approximately 25% for April, and 29% for May. SCETV officials indicate that these differences result from charging for the hours the facilities were reserved rather than for the hours they were actually used.

According to a production department official, SCETV's usual practice is to bill outside organizations for the time a facility (such as a studio) is reserved, rather than the time it is actually used. If the full time reserved is not charged to a project, revenue could be lost to SCETV because it is unlikely another producer could use and bill for space that became available without prior notice. Recurrent over-booking of facilities has been a problem with ECPDN according to a production division official. After the dispute over billing for ECPDN productions arose, SCETV administration decided ECPDN would be billed only for the time it uses.

We also reviewed records of non-production-related expenses for ECPDN. We found no problems with the documentation of these expenses.

"Crime to Court" Productions

"Crime to Court" is a series of monthly law enforcement training videos and booklets produced for the Criminal Justice Academy (CJA). SCETV billed CJA almost \$184,000 for "Crime to Court" printing and production services in FY 93-94. This producer said that he does not formally track the time he or his staff put into this project. However, this does not directly affect SCETV's revenues because CJA pays the amount specified in an annual production agreement, regardless of actual hours spent on the production. Furthermore, 100% of the director's salary is reimbursed by this agreement.

Engineering Division

We reviewed the engineering division's determination of its costs for two types of services.

Installation of Satellite or Studio Receiving Equipment

SCETV billed agencies over \$337,000 for installation and purchase of technical equipment for various state agencies in FY 93-94. We found no problems with the division's documentation or procedures for tracking these costs.

Satellite Services and Interconnect Fees for National Instructional Satellite Systems (NISS)

SCETV billed NISS over \$194,000 in FY 93-94 for satellite uplinks. SCETV stores tapes for NISS, plays the tape through SCETV's master control equipment, and feeds the signal through SCETV's satellite uplink to a non-SCETV satellite that airs the signal. We found no problems with the engineering division's documentation or procedures for tracking these costs.

Other Major Projects

Printing

We reviewed the communications division's procedures for determining printing charges for billable projects. SCETV billed the SCETV Endowment approximately \$124,000 in FY 93-94 for printing, handling and postage of the SCETV program guide. In addition, almost \$30,000 of the "Crime to Court" agreement discussed above is billing of printing services. We found no problems with printing service's procedures for tracking these services.

SERC Gateway Access

SCETV invoiced over \$288,000 in FY 93-94 for providing data lines, phone lines, and a toll-free number to SERC classrooms at remote locations. These services are provided by commercial telephone companies which then bill SCETV. SCETV passes along to SERC these costs, plus a 10% service charge for the toll-free line. We found no problems with the documentation or tracking of this service.

Tape Duplicating for National Association for the Education of Young Children (NAEYC)

Duplication of videotapes for the NAEYC generated over \$209,000 for SCETV in FY 93-94. Although costs for tape dubbing were determined several years ago, SCETV's charges for this service appear to more than cover its costs. We found no problems in this area.

Tracking in Other Areas

We focused on the eight projects discussed above because of their financial significance to SCETV. However, we also briefly reviewed SCETV's procedures for tracking costs in the following areas. We cannot quantify the revenues for services performed in these areas because of limitations in the way SCETV maintains its data, and because projects are sometimes shared between divisions such as production and continuing education.

Programming Division

According to several SCETV officials, the programming division does not track the time it spends on particular projects. Therefore, SCETV cannot determine the cost of some programming projects. However, a programming division official stated that billable projects of his division are usually charged on the basis of a contractually fixed amount.

Continuing Education Division

A division of continuing education official stated he does not require his staff to turn in calendars or report hours spent on specific projects.

SERC Distance Education

We found no problem with procedures for tracking costs of SERC distance education classes produced in Columbia. However, the Rock Hill regional station does not track its time and had to estimate for us what it costs to produce the SERC courses that originate in the Rock Hill studios (see p. 14 for analysis of SERC project).

It is crucial that SCETV calculate its costs for all projects and services. In times of declining state funding, SCETV must maximize its revenues, particularly from non-state sources. SCETV's invoices billed to private non-profit organizations grew from about \$1,775,000 in FY 92-93 to approximately \$2,387,000 in FY 93-94, an increase of over 34%. However, inability to accurately track resources for such billable projects could decrease SCETV's revenues. This could result from either failing to identify all time chargeable to a particular project, or by setting fixed-rate agreements at levels that do not cover SCETV's costs. Without accurate information on costs, SCETV cannot effectively set its production priorities.

SCETV acquired production scheduling software at the end of our audit. Agency officials anticipate that their ability to determine and track production costs will increase if the use of this software is required for all divisions of SCETV (see p. 50).

Recommendation

- 19 SCETV should require consistent and detailed tracking of staff time, facilities, and equipment used so that SCETV can determine its costs for all projects and services, whether or not they produce revenue.

Fees for Services

We reviewed charges to non-profit organizations and concluded that SCETV has the potential to recover more of its cost. Also, the commission has not developed a policy for waiver of fees to all categories of clients. These issues are addressed below.

Non-Profit Organizations

SCETV discounts production charges to clients. SCETV charges private non-profit organizations only a portion of "in-kind" costs for production services. In-kind costs include staff time, use of video edit systems and graphics systems and related SCETV personnel costs.

In addition, SCETV generally does not receive reimbursement for administrative overhead for services to private non-profit agencies. Administrative overhead is only reimbursed in the case of projects funded by grants.

... a private non-profit agency located in Washington D.C. paid \$33,748 toward expenses of \$86,874 incurred by SCETV.

SCETV has developed a rate card which sets fees for services and approximates commercial rates. From February 1990 to June 1993, SCETV charged state agencies and non-profit organizations 100% of out-of-pocket costs (i.e., tapes, travel, film stock), 10% of in-kind costs and no overhead costs. Beginning in July 1993, SCETV increased the in-kind charge to 15% to make up for reductions in its state budget appropriation. According to an SCETV official, a for-profit entity would be charged 100% out-of-pocket costs, 100% in-kind costs, 19.86% administrative overhead and 15% as a profit margin.

We attempted to determine the total billing by project (excluding services to state agencies) for in-kind and administrative costs for FY 92-93 and FY 93-94. We reviewed production projects whose costs exceeded \$5,000; we found five billings that were within our scope. However, we were unable to complete an analysis because invoices prepared by the various departments were inconsistent in format. Some invoices had detailed billing information, while other invoices showed only a total amount billed. However, in the one case that we could analyze, a private non-profit agency located in Washington D.C. paid \$33,748 toward expenses of \$86,874 incurred by SCETV.

Other states manage their cost recovery more conservatively. For example, Louisiana evaluates each non-profit on a case-by-case basis before determining if charges are discounted. Georgia charges all clients, except state agencies, rates comparable to private sector competitors. They charge 100% of out-of pocket costs and 22% of the in-kind costs to state agencies rather than 15% as in South Carolina.

Waiver of Fees

SCETV has not developed a written policy addressing waiver of fees for services. We found that SCETV has waived fees to organizations resulting in less recovery on a project. Without a policy, the potential exists for inequitable treatment of clients with similar needs.

According to SCETV officials, in practice, waivers have been granted by division level vice presidents or the senior vice president and general manager. Waivers can be granted if one or more of these conditions exist: if an agency or non-profit announces at the beginning of the project that it cannot afford to pay the cost; for economic development projects; for projects that have the potential to benefit many state agencies; and for educational projects that fit into SCETV's mission.

Overall, we found SCETV to be conservative in granting waivers to state agencies and non-profits. Waivers have been granted for scripted services projects (i.e., production of training tapes and public service announcements). SCETV completed 125 scripted services projects for state agencies and non-profits during FY 92-93 and FY 93-94 that produced revenues of \$590,537. Only \$13,383 (2.3% of the revenues) for scripted services was waived during those two fiscal years. Of the waived amount, approximately \$9,782 was for one economic development project.

Recommendations

- 20 SCETV should review fees charged for production services. Consideration should be given to:
- Charging all clients except state agencies the full rate card amount which is comparable to commercial rates.
 - Charging a minimum of 15% of the in-kind costs to state agencies and continuing to charge state agencies 100% of out-of-pocket costs.
- 21 SCETV should implement a policy to standardize its invoices for billing that clearly details SCETV's discreet costs and the resultant charges.
- 22 SCETV should implement a written policy specifically governing the dispensing of waivers to ensure that state resources are adequately protected and all entities are treated in a consistent and equitable manner.

Chapter 3
Revenue Issues

Administrative Issues

This chapter addresses planning issues and some administrative control measures. SCETV faces many demands in the changing public television environment. In our review of SCETV's planning efforts, we found the agency has not made a complete study of the use of educational television as required by law and has not developed and implemented a comprehensive strategic plan that would allow the best possible use of its resources in the future. Additionally, SCETV needs to establish the educational and technical advisory committees required in its enabling legislation.

Strategic Plan

SCETV has not developed and implemented a comprehensive strategic plan to aid it in fulfilling its statutory duties. In our review of SCETV's planning efforts, we interviewed agency officials and reviewed state statutes, SCETV's proposed five-year plan for television technology, and SCETV annual reports.

Statutory Duties

The South Carolina Code of Laws §59-7-40 states that the commission may acquire and operate "equipment and facilities as are required to develop, promote and extend educational programs to meet the needs of the State and its citizens." An agency with such a broad statutory mandate bears considerable responsibility in determining the scope and nature of the services it will provide.

Section 59-7-40 of the South Carolina Code of Laws requires that SCETV make "a complete study of the use of educational television and its adaptation for instructional purposes in all of the public schools of the State" and report the outcomes periodically with recommendations to the General Assembly.

However, we found that SCETV has not made this required study. Thus, the agency has not clearly defined its role in the provision of statewide educational services.

Five-Year Technology Plan

SCETV has developed a five-year plan for providing digital satellite and ITFS/tape center capability to all South Carolina public schools. This plan includes numeric goals and costs for each year. Its primary focus is on technology for transmitting signals to and from the schools.

However, transmission of its signal is not the only technological issue that educational television faces. The Twentieth Century Fund Task Force on Public Television indicates that local educational television should also consider emerging technologies for providing educational services. Its report states:

. . . public television, especially when it is wearing its educational hat, has to take account of other methods [than broadcast technology]. Video cassettes, interactive laser discs, CD-ROM, and all kinds of computer software have become important tools Many people think that these technologies, together with the interactive compact disc . . . will be at least as important as broadcast programs to the future of education.

SCETV has taken initiative to develop non-broadcast technology. For example, the agency is involved in projects offering on-line computer services. However, as the Twentieth Century Fund Task Force states, “. . . in order to maintain its position as a major educational resource, public television has to become a principal player in this new market—either on its own, or in partnership with commercial companies such as textbook publishers.”

Annual Reports

We reviewed SCETV annual reports from FY 89-90 through FY 93-94. Since FY 92-93, ETV has set forth “workload,” “efficiency,” and “effectiveness” *performance measures*. These measures consist primarily of “outputs”—reporting the volume of activity in agency programs. The current level of activity is not compared to prior years’ achievements or future expectations. Examples of these performance measures include:

- The number of planning contacts with state agencies and professional associations.
- The number of hours of children’s programming.

- The number of broadcast hours to the general public.

The FY 93-94 annual report also includes non-numeric *program objectives* such as, "To provide higher education institutions, state agencies, and businesses in the state with live and pre-recorded courses."

Neither the performance measures nor the program objectives in SCETV's annual report establish specific goals, benchmarks, or strategies for achieving performance goals. The measures do not address the effectiveness and quality of SCETV programs or services. Merely counting the number of contacts made or hours of programming provided has little value in determining SCETV's effectiveness and efficiency.

Strategic Planning Goals and Performance Measures Needed

Strategic planning has been defined as the "process of determining how a business may make the best possible use of its resources in the future" and "a continuous process of making systematic risk-taking decisions, organizing steps needed to carry out these decisions, and measuring the outcomes against goals" Without a comprehensive strategic plan containing specific goals and benchmarks, SCETV cannot measure if it has been effective in meeting the requirements of §59-7-40 to "develop, promote, and extend educational programs to meet the needs of the State and its citizens." The lack of strategic planning may also make it more difficult for SCETV to meet the demands of the changing public television environment.

The absence of an integrated planning process may have been a contributing factor in:

- Lack of coordination of ITV operations and evaluation of its outcomes.
- SCETV's operation of television production facilities outside of its main headquarters.
- SCETV's maintaining of two separate production staffs.
- Revenue-related issues such as SCETV's structure for marketing and grant administration, and setting fees for services.

Recent federal and state moves toward reducing educational television budgets make it imperative that SCETV become more efficient and economical in its operations. The planning process should therefore include the search for alternative revenue opportunities that could assist in offsetting

state appropriations. Appointment of the required advisory committees could also help in the planning process (see p. 52).

Recommendations

- 23 SCETV should develop a strategic plan with measurable goals and objectives.
- 24 SCETV should initiate a study of the utilization of the network as required by state law.
- 25 SCETV should thoroughly examine alternative revenue opportunities.
- 26 SCETV, in conjunction with other state education entities, should broaden its technology planning to take into account emerging non-broadcast educational technologies.

Information Management

During this audit, SCETV staff identified several information management issues that have a broad impact within the agency. The more significant issues include:

- Obsolescence of SCETV's "traffic" and "master control" software systems that schedule SCETV's programs and physically route the correct signals for broadcast onto the assigned channels at the scheduled time.
- Manager's lack of on-line access to financial and budgetary information about their own programs.
- Lack of an automated means for scheduling and tracking staff, equipment and production facilities.

- Lack of an automated means for collecting and compiling information such as:
 - Trouble reports on tapes and equipment.
 - Number of times a tape has been played.
 - Tracking of legal rights to program.
 - Scheduling and tracking use of audio bridge and teleconferences.
- Entering the same data into more than one computer program.

According to an agency official, SCETV has concentrated on automating its external delivery of service at the expense of administrative computing needs. SCETV's dependence on cumbersome and time-consuming manual information systems has decreased staff efficiency. It has also made it more difficult for SCETV to accurately track its revenue recovery.

SCETV has recently acted to address each of the issues identified above.

- New software has been procured for traffic and master control. It should be operational by the end of FY 94-95.
- A program is now being written that will allow downloading of budgetary information to managers for on-line access, without jeopardizing the integrity of the source data in SCETV's accounting system.
- In March 1995, SCETV purchased very sophisticated software for scheduling and tracking of all the resources (i.e., staff, equipment, and facilities) used in SCETV productions.
- SCETV has also recently purchased new database software. This software, together with the other newly acquired systems, will automate many of SCETV's manual information-gathering functions.
- Information needed for tracking of expenditures will be downloaded from SCETV's accounting system into other programs to eliminate the need for entering the same data into more than one program.

Since these systems were recently purchased, we were unable to evaluate their effectiveness. However, the SCETV officials we interviewed expect the new software to resolve most, if not all, of the information management concerns that were brought to our attention.

Professional Requirements for SCETV Commission

State law does not require members of the SCETV Commission to have backgrounds in education or broadcasting. The continuing mission of SCETV is to provide educational opportunities to public schools, colleges, universities, and adult continuing education. In the past two fiscal years, the commission has approved projects that include purchase of a digital satellite transponder at a costs of \$10.4 million. The digital satellite system is to provide access to the agency's services on a statewide basis (see p. 23). Also, the commission approved a five-year plan for television technology in public schools.

The governing structure of public television in Florida is not comparable to the structure in South Carolina. However, public television agencies in Kentucky, Louisiana, Mississippi, Nebraska, and North Carolina require members of their governing boards to be in fields to include public and higher education. Two of these states (Kentucky and Mississippi) provide that the superintendent of education and at least one other representative from public education serve on the board. In Georgia, two representatives from higher education serve ex officio as members of the governing board.

SCETV primarily serves the state's public schools, colleges, and universities. Individuals in these disciplines, as well as in the area of broadcasting, are likely to enhance the decision-making process of the commission. The commission currently has three members in addition to the superintendent of education with backgrounds in education and broadcasting. However, without minimum requirements for some commission members, there is less assurance that persons with particular expertise will continue to serve on the commission.

Advisory Committees

The SCETV Commission has not established advisory committees as required by state law. Section 59-7-20 of the South Carolina Code of Laws states, "The Commission shall appoint an advisory committee of educators and an advisory committee of technical experts"

According to an SCETV official, the committee of educators operated in conjunction with the State Department of Education when the Instructional Television section was transferred from SCETV to SDE in 1969. However, an SDE official stated that the committee of educators ceased to exist in approximately 1991. At that time, rather than continuing the committee,

SDE chose to solicit feedback from teachers and media specialists on ITV schedules and related topics. Finally, the SCETV official stated that the committee of technical experts has not existed since the early years of SCETV.

The SCETV Commission has made decisions involving telecommunications for the state and specifically for the public schools (see p. 23). Advisory committees of educators and technical experts could have provided valuable assistance in these areas. The establishment of these committees could help to ensure that state funds are directed in the most appropriate and cost-effective manner.

Recommendations

- 27 The South Carolina General Assembly may wish to consider amending §59-7-10 of the South Carolina Code of Laws to specify minimum qualifications for some members of the SCETV Commission to include individuals in the disciplines of public education, higher education, and broadcasting.
- 28 The SCETV Commission should establish advisory committees in accordance with §59-7-20 of the South Carolina Code of Laws.

Relationship Between SCETV and SCETV Endowment

SCETV's most recent independent financial audit, dated June 30 1994, reports that a major portion of the agency's funding is provided by the SCETV Endowment, "a separately chartered eleemosynary corporation governed by an independent board of trustees over whom the [SCETV] commission exercises no control." The endowment disbursed approximately \$9 million on behalf of SCETV in FY 93-94.

SCETV receives additional revenues for services provided to the endowment. In this section of the audit, we reviewed billings to the endowment for fund-raising and staff support provided by SCETV employees. We reviewed documents and interviewed staff of both SCETV and the SCETV Endowment. The endowment cooperated fully with us.

Other aspects of SCETV's relationship with the endowment are addressed in the report sections on legal review of contracts (see p. 56), funding for construction of SCETV's studio and technical building (see p. 57), and services billed to other organizations (see p. 37).

Reimbursements From the SCETV Endowment to SCETV for Staff Support and Fund- Raising Activities

Although the endowment reimburses SCETV for staff time, printing costs, use of production facilities, and computer resources, not all SCETV staff involved in fund-raising for the endowment track the number of hours they work for the endowment, as discussed below.

Staff Support

SCETV bills the endowment the equivalent of one FTE a year as reimbursement for SCETV staff time spent on fund-raising for the endowment. In FY 92-93 this reimbursement was \$27,889, and in FY 93-94 it was \$25,765.

The amount of this reimbursement is "pretty arbitrary," according to an SCETV official, but represents an attempt at fairness in requiring the endowment to pay something. In addition to the reimbursement for staff support, one SCETV position which had been full-time has been changed to part-time state employee and part-time independent contractor for the endowment. This change was in recognition of the fact that some of this individual's time was spent on work for the endowment.

The individuals whose salaries are partially reimbursed by the endowment, and the individual who is a part-time SCETV employee, do not track their time. They stated that tracking would not be possible because there is no clear division between their work for SCETV and their work for the endowment. The functions these employees perform include planning and administration of televised fund-raising festivals, acting as a liaison to the endowment, and seeking grants for national programming projects.

We have recommended in other audits that financial transactions between state agencies and their endowments be governed by written agreements. In this case, SCETV administrators should determine if SCETV employees' duties in support of the endowment can be separated from their duties solely benefitting SCETV. If so, the endowment should be billed for actual hours of staff time, as is the case with the fund-raising productions discussed below. If this is not possible because of the nature of the work, we recommend that SCETV and the endowment draft a written agreement outlining the nature of the staff support SCETV will provide to the endowment, and the amount of the reimbursement by the endowment. This agreement should be reviewed annually. In reviewing staff time, SCETV should also consider whether any portion of the office space and equipment used by these individuals should be reimbursed by the endowment.

Fund-Raising Activities

SCETV's production division produces semiannual television "festivals" to raise funds for the SCETV Endowment. We reviewed invoices for the seven major (television) fund-raising festivals that took place between December 1991 and December 1994. SCETV bills the endowment for production staff and facilities used in these festivals. The bills also include related computer costs, and a fixed charge for radio fund-raising. SCETV had invoiced the endowment for all these costs except one item that had been inadvertently omitted, according to an SCETV official. (It has since been billed.) We found no material problems in this area.

Recommendation

- 29 SCETV and the SCETV Endowment should enter into a written agreement specifying the services that SCETV staff will perform for the endowment and the reimbursement that will be made for these services. This agreement should be reviewed annually.

Legal Review of Contracts

According to officials at SCETV and the attorney general's office, most SCETV contracts with the SCETV Endowment, and most SCETV production contracts are not reviewed by the attorney general's office. SCETV officials state turn-around time has been very slow on those contracts that have been submitted for review. The endowment also does not usually obtain legal advice on its contracts with SCETV and independent producers, except when SCETV bears almost total production responsibility.

We interviewed officials at SCETV, the SCETV Endowment, and the attorney general's office about legal review of SCETV's contracts. We also reviewed a judgmental sample of 7 of 35 contracts or agreements entered into between SCETV and the endowment from July 1993 to December 1994. The contracts we reviewed are for national television projects. These contracts set forth the rights and obligations of SCETV, the SCETV Endowment, and other parties. None of the national television projects in our sample received major in-kind (staff and facilities) support from SCETV, or major financial support from the SCETV Endowment.

SCETV has no direct financial commitment to these projects. However, these contracts are complex, and the legal terms obligating SCETV's resources differ from one project to another. One contract we reviewed states that SCETV "agrees to provide advice and counsel to [the producer] including but not limited to areas of proposal writing, fund raising, contacts, and production and marketing strategies." Another states that SCETV "will use its best efforts to obtain the most favorable time for national PBS feed and local carriage." A third contract requires that all parties, including SCETV, "use their best efforts to obtain funding for the series"

We did not find terms and conditions unfavorable to SCETV in the contracts and agreements we reviewed. However, SCETV faces the possibility of financial loss in major productions, if the contracts or agreements have not adequately dealt with such contingencies as cancellation of a project after SCETV has incurred expenses. Significant revenues could be involved. SCETV cannot readily calculate its total invoices for production services. However, we determined that the FY 93-94 billing of production costs for three large projects was over \$1 million. One phase of one project involved SCETV out-of-pocket expenditures of over \$82,000. Funding for this project was uncertain because of changing priorities in the federal agency awarding the grant. According to an SCETV official, SCETV might have suffered

losses if the project had been cancelled after expenses had been incurred. Because of the potential for legal complications or financial liability, SCETV's resources would be better protected if contracts that involve significant SCETV resources were reviewed by an attorney.

Recommendation

- 30 SCETV should ensure that it obtains legal review for major national programming contracts and production contracts that involve significant SCETV resources.

Funding for Construction

We reviewed the initial funding process for construction of SCETV's new studio and technical facility and its acquisition of the State-Record Newspaper building. We did not review expenditure of the funds. We found no material problems with the initial funding process.

SCETV has the statutory authority to "purchase, lease or otherwise acquire" facilities pursuant to §59-7-40 of the South Carolina Code of Laws. We reviewed legal documents and interviewed officials at SCETV, the SCETV Endowment, and the state treasurer's office concerning the financing of SCETV's new \$9.5 million studio and technical facility. The building is now under construction. Although the legal transactions among the parties are complex, we found no problems in the financial relationship between SCETV and the SCETV Endowment.

The land on which the studio is being built and an existing structure on the land are owned by the SCETV Endowment. The endowment entered into a lease with SCETV beginning November 1994. It is renewable for ten additional one-year terms until September 2005. The endowment receives \$1 a year from its lease. At the end of the lease, the endowment is legally obligated to sell the property to SCETV for \$1.

SCETV sought advice from the state treasurer on how to finance the new studio and technical facility. SCETV has no authority to issue bonds and has insufficient capital reserves to pay for the project. The agency was also unsuccessful in including financing for this project in a state capital improvement bond issue. The state treasurer recommended the use of

Certificates of Participation (COPs) to finance this project. The COPs were approved by the State Budget and Control Board on August 24, 1994.

The principal from the sale of the certificates (approximately \$6.5 million) will provide the major portion of the funds needed for this project. The COPs mature at various dates until the termination of the lease in September 2005. SCETV's capital reserve fund will provide an additional \$3 million for the project.

COPs are a relatively new instrument for financing capital improvement projects. In the transaction we reviewed, SCETV makes payments to the trustee (a bank) for the certificates. SCETV must pay a sufficient amount each year to cover the principal and interest owed to purchasers of the COPs. The legal documents also specify that each year SCETV must request the General Assembly to appropriate the funds needed for SCETV's payments to the trustee. SCETV's annual debt service payments range from \$858,113 in 1996 to \$743,400 in the year 2005, when the last COPs mature.

Security is provided to the purchasers of the COPs by the endowment's assignment of its rights in the property to the trustee for the COPs. The purchasers of the COPs are also protected by a surety bond. According to the state treasurer's office, costs for issuing COPs are higher than for capital improvement bonds because of the additional expense of the surety bond.

Although the purchasers are protected, there is some risk to SCETV and the state from using a funding mechanism based on annual appropriations. If the General Assembly fails to appropriate the money needed to cover SCETV's debt service payments to the trustee, the lease could be cancelled by SCETV and SCETV would owe nothing further. However, SCETV could lose everything it had invested in the property.

A publication of the Government Finance Officers Association, *An Elected Officials' Guide to Debt Issuance*, states that the annual appropriation requirement is a major concern with certificates of participation. However, officials at the state treasurer's office said the General Assembly would not fail to appropriate the funds because a default would "hurt the state's general obligation rating." Although COPs present some risk to SCETV and the state, officials at the state treasurer's office stated that SCETV did not have other funding options for this project.

Purchase of the State-Record Newspaper Building

We reviewed SCETV's acquisition of the State-Record Newspaper building. On December 11, 1987, the State-Record Company entered into an agreement with the SCETV Commission to sell this property to SCETV for a purchase price of approximately \$4 million. SCETV received from the seller "fee simple title" to the property. This transaction is an outright purchase of property and not a lease purchase agreement. The document of sale also attests that the State Budget and Control Board had previously approved the purchaser's (SCETV's) execution of the agreement. In addition, review of this agreement reveals that the SCETV Endowment has no legal interest in this property and is not a party to the transaction.

Inventory Policy

We reviewed SCETV's inventory control methods and performed a statistically valid physical inventory of fixed assets. As of February 1995, SCETV's total inventory had a value of \$81.9 million. SCETV's policies require a physical inventory of each department/section at least annually. We found no material problems locating inventory. However, SCETV needs to broaden its policy regarding control of inventory located at public schools which is purchased by SCETV.

Items purchased by SCETV for public schools are valued at approximately \$1.1 million. The equipment is primarily color televisions and video cassette recorders. This type of item is subject to theft. SCETV's policy requires verification of the inventory annually through a form sent to the school media specialists. According to an SCETV official, physical verification of school inventory is performed in certain circumstances, such as when no inventory form is returned, when SCETV's records and the school's records have different totals, or when items are claimed stolen without a police report.

Prior to 1992, SCETV technicians were responsible for conducting physical inventories in the schools. Currently, technicians routinely visit the schools and they could offer an efficient method for SCETV to perform a physical inventory of equipment.

Recommendation

- 31 SCETV should broaden its policies on inventory control to include reviews, on an efficient and regular basis, of equipment purchased by SCETV for the public schools. These reviews could be conducted by personnel whose current duties require their occasional presence at schools.

Sunset Issues

Issue (1) Effects of Regulation

Determine the amount of the increase or reduction of costs of goods and services caused by the regulations promulgated by and the administering of the programs or functions of the agency under review.

This issue applies to a program or agency which exercises some type of direct control or regulation over a practice which could result in higher or lower prices to the consumer. The most typical example is a board that regulates an occupation or profession. Since SCETV does not regulate a profession or practice, we concluded that this sunset question was not applicable.

Issue (2) Impacts of Deregulation

Determine the economic, fiscal, and other impacts that would occur in the absence of the regulations promulgated by and the administering of the programs or functions of the agency under review.

SCETV serves a public purpose by acting as the state's educational communications network. SCETV serves no regulatory purpose. Thirty-seven other states also support educational communications networks.

Issue (3) Administrative Costs

Determine the overall cost, including manpower, of the agency under review.

SCETV receives an annual appropriation from the General Assembly. For FY 93-94, the agency received approximately \$19 million in general funds. Approximately \$4 million was received from CPB in FY 93-94. SCETV collects revenue from the rental of tower space, the sale of video tapes and from services provided to other agencies.

In FY 93-94, the agency had approximately 388 full-time equivalent positions. Table 5.1. outlines SCETV's appropriations and expenditures since FY 90-91.

We found problems which may have some effect upon SCETV's ability to generate adequate reimbursement for services provided. The agency has not developed consistent procedures to determine and track costs for services performed for other entities (see p. 37). Also, a review of charges for non-profit organizations showed potential recovery of more of SCETV's cost (see p. 43).

Travel

During our audit, travel was a legislative concern. We reviewed SCETV's travel for FY 93-94 using data from SCETV's accounting office and information produced by SCETV in response to a legislative inquiry.

SCETV spent a total of \$351,832 on travel for FY 93-94. State funds accounted for 18.9% (\$66,645). Other sources of funding for travel are CPB, operating revenues, and non-federal grants. Out-of-state travel accounted for \$255,784 (see Graph 5.1). A significant part of this amount (\$93,503) was paid by a grant from the U.S. Department of Health and Human Services for its Early Childhood Professional Development Network (ECPDN). This grant allowed for the installation of satellite dishes at Head Start facilities throughout the United States, its trust territories and Puerto Rico. The travel expenses are paid with federal funds by SCETV Endowment through a subcontract to SCETV. There were 46 trips taken with the ECPDN grant. Thirty-three trips were of a production/technical nature and thirteen were for meetings.

In-state travel costs totalled \$96,048; state funds accounted for 28.2% (\$27,106).

Table 5.1: Source of Revenues, Expenditures, and Appropriations

	FY 90-91	FY 91-92	FY 92-93	FY 93-94 ^a	FY 94-95 ^b
Revenues					
General Funds	\$19,049,740	\$18,572,935	\$17,843,015	\$18,921,813	\$20,487,637
Federal Funds	\$36,946	\$190,504	\$38,642	\$46,040	
Corporation for Public Broadcasting	\$4,126,528	\$3,403,491	\$4,276,632	\$4,263,643	
Grants - Non-Federal	\$37,852	\$59,792	\$437,873	\$471,121	
Rents Collected	\$99,168	\$95,033	\$91,240	\$99,427	
Sales Receipts	\$1,564,430	\$2,269,796	\$2,745,489	\$4,008,807	
Credited to General Fund	\$21,088	\$19,796	\$15,661	\$35,179	
Miscellaneous Revenues	\$181,823	\$3,289,298	\$328,482	\$262,062	
Total Revenues	\$25,117,575	\$27,900,645	\$25,777,034	\$28,108,092	\$20,487,637
Lapsed to the General Fund	\$64,738	\$3	\$12,668	\$0	
Carried Forward	\$0	\$0	\$51,804	\$219,610	
Midyear Reduction	\$63,124	\$737,364	\$704,447	\$0	
Total	\$127,862	\$737,367	\$768,919	\$219,610	
Expenditures					
Internal Administration	\$5,413,203	\$4,322,335	\$4,523,537	\$4,798,308	\$4,830,573
Education Assessment and Program Development	\$2,416,694	\$3,656,676	\$2,959,759	\$3,749,263	\$3,055,263
TV, Radio, & Other Production	\$7,219,977	\$7,347,208	\$7,857,058	\$7,739,458	\$7,319,669
Transmission and Reception	\$7,402,442	\$6,768,469	\$7,129,473	\$8,968,900	\$9,617,605
Employee Benefits	\$2,320,822	\$2,365,597	\$2,412,201	\$2,545,046	\$2,544,522
Non-Recurring Appropriations	\$909,026	\$0	\$0	\$0	\$1,750,000 ^c
Total	\$25,682,164	\$24,460,265	\$24,882,028	\$27,800,975	\$29,117,632
FTEs	408.55	399.55	399.55	387.55	387.55

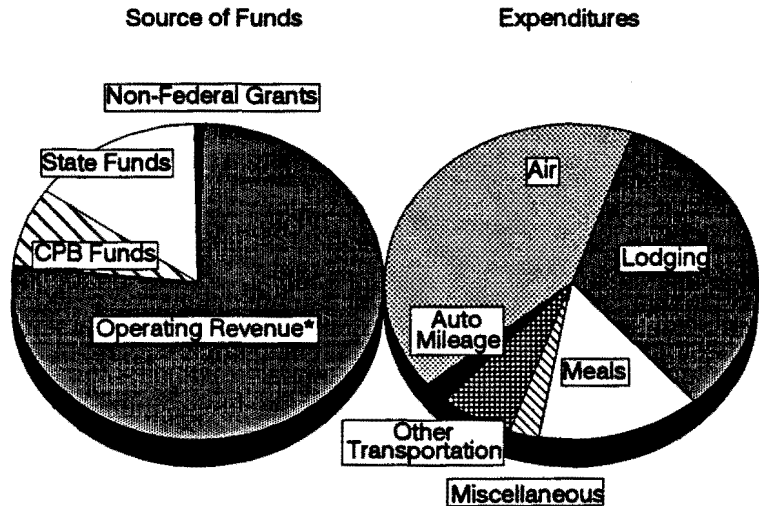
a SCETV Annual Report, 1993-94 (expenditures only).

b Projected revenues and expenditures. Projected revenues include only general funds. SCETV also receives funds from CPB and collects revenue from the rental of tower space, tape sales and services provided to other agencies.

c Satellite dishes for the public schools.

Source: State Budget and Control Board and SCETV.

Graph 5.1: FY 93-94 SCETV
Funds for Out-of-State Travel



* This includes \$93,503 from the ECPDN project.

Source: SCETV.

Issue (4) Efficiency of Administration

Evaluate the efficiency and effectiveness of the administration of the programs or functions of the agency under review.

We obtained and reviewed information on many administrative areas such as SCETV's organizational structure, use of technology, and acquisition of facilities. We reviewed the agency's policies and procedures when relevant. The most significant issues relating to the efficiency of SCETV's programs and functions are outlined below.

- We reviewed SCETV's practice of maintaining four regional television stations in addition to its main site (see p. 5).
- We reviewed SCETV's production support for the SERC courses that SCETV produces. We also addressed the efficiency of producing these courses from two different studio locations (see p. 14).

- We reviewed the structure of instructional television and concluded that fragmentation of duties between SCETV and SDE may impede accountability. We also addressed the lack of utilization surveys to measure the effectiveness of instructional television (see p. 20).
- We reviewed SCETV's decision to rely on digital satellite technology, rather than fiber optic technology, for the state-wide transmission of its signal (see p. 23).
- We reviewed the use of SCETV/school district tape and delay centers (see p. 27).
- We reviewed SCETV's practice of maintaining two separate divisions (production and programming) that perform overlapping functions (see p. 29).
- We reviewed SCETV's structure for marketing its services, and the limited range of marketing activities it currently undertakes (see p. 33).
- We reviewed SCETV's structure for seeking outside grants (see p. 35).
- We reviewed SCETV's procedures for tracking the resources it commits to revenue-generating services billed to other organizations (see p. 37).
- We reviewed SCETV's overall strategic planning efforts (see p. 47).
- We reviewed SCETV's automated systems for information management (see p. 50).
- We reviewed a sample of SCETV's contracts with SCETV Endowment and other parties (see p. 53).

We recommended various changes to increase the efficiency of these programs and functions.

Issue (5) Public Participation

Determine the extent to which the agency under review has encouraged the participation of the public and, if applicable, the industry it regulates.

SCETV has not established advisory boards as required by statute (see p. 52). In addition, SCETV and SDE do not measure utilization of instructional television (see p. 22) or the tape and delay centers (see p. 27). The primary user in both cases is the public school system.

SCETV meets its Freedom of Information Act obligations by notifying members of the press at least 24 hours in advance and by posting notices of its commission meetings.

SCETV has a toll-free number for public inquiries. According to the agency employee who responds to these calls, inquiries generally involve comments about programming or questions about specific persons or divisions to contact. The employee stated that due to the nature of the inquiries, a log of toll-free calls is not maintained.

Issue (6) Duplication of Services

Determine the extent to which the agency duplicates the services, functions and programs administered by any other state, federal, or other agency or entity.

We determined that there may be duplication with video conferencing services provided by SCETV and other state agencies. Video conferencing capabilities among agencies have not been coordinated (see p. 9). Agencies within the same geographical areas maintain equipment and facilities which enable them to produce video conferences. As a result, state resources may not be used in a cost-effective manner.

Issue (7) Handling of Complaints

Evaluate the efficiency with which formal public complaints filed with the agency concerning persons or industries subject to the regulation and administration of the agency under review have been processed.

Since SCETV does not regulate a profession or program, it has no jurisdiction over anyone against whom a formal public complaint could be made. Therefore, this question is not applicable to SCETV.

Issue (8) Compliance With the Law

Determine the extent to which the agency under review has complied with all applicable state, federal, and local statutes and regulations.

We reviewed SCETV's laws which are brief, containing only six short sections. SCETV has promulgated no regulations.

SCETV has not established advisory committees for educational and technical matters as required by §59-7-20 of the South Carolina Code of Laws (see p. 52).

Additionally, the commission has not made a complete and periodic study of the use of educational television and its adaptation for instructional purposes in all of the public schools of the state and reported the outcomes and recommendations to the Governor and General Assembly as required by §59-7-40 of the South Carolina Code of Laws (see p. 47).

For the period July 1, 1991 through December 31, 1993, the Division of General Services of the State Budget and Control Board found SCETV to be in compliance with the South Carolina Consolidated Procurement Code. The agency was certified to make direct agency procurements up to \$25,000.

SCETV's Minority Business Utilization plans were approved by the Governor's Office of Executive Policy and Programs for FY 92-93 through FY 94-95. In FY 91-92, the agency met 66% of its goal to support minority and women-owned businesses, and in FY 92-93, SCETV exceeded its goal by 55%.

According to FCC, no complaints have been filed against the five SCETV television production stations.

Appendices

Glossary

Audio Bridge:

Device that allows joining of up to 48 incoming telephone lines for a multi-line conference call.

Closed Circuit Television:

Programming that is broadcast through the ITFS network or satellite to specific sites or locations, such as elementary schools, state colleges and universities, and hospitals.

Digital Satellite System:

This system allows multiple television signals to be compressed and transmitted over a single satellite channel. When fully operational, the system is to provide access to 32 channels on the state's network.

Electronic Field Production:

The process of shooting film or video at locations outside of a television studio. Electronic field production can include shooting video (film), lighting the set, and/or monitoring audio levels.

Instructional Television Fixed System (ITFS):

A 4-channel microwave transmission system possessing an effective range of 15 to 20 miles.

Open Circuit Television:

Over-the-air transmission of television programming that is aired on television channels such as WRLK-TV Channel 35 in Columbia, or WITV Channel 7 in Charleston.

Satellite Downlink:

Transmission of an amplified signal from a satellite back to earth for viewing over a wide geographic area.

Satellite Uplink:

Device that transmits a television signal up to an orbiting satellite.

Tape Dubbing:

Process of making copies from a master video or audio tape.

Agency Comments

Appendix B
Agency Comments



1101 George Rogers Boulevard
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HENRY J. CAUTHEN
President
(803) 737-3240
FAX (803) 737-3526

August 23, 1995

Mr. George L. Schroeder, Director
Legislative Audit Council
400 Gervais Street
Columbia, SC 29201

Dear George:

The draft of the Legislative Audit Council Report to the General Assembly on A Sunset Review of the South Carolina Educational Television Commission was delivered by your staff to ETV on July 7, 1995. I would, first of all, like you to know how much ETV appreciates the professional manner in which this audit was conducted. I have received very positive comments regarding contacts between ETV staff members and the LAC audit team.

The audit appears to be very thorough and will provide a very useful tool for our future planning. Our attached response indicates agreement with most of the recommendations. Those on which there is a difference of opinion are also explained in the attached response, and during the continuing process we hope careful consideration will be given to changing these recommendations.

Sincerely,

A handwritten signature in black ink that reads 'Henry'.

Henry J. Cauthen
President

Enclosures

Recommendation #1

SCETV should terminate operation of regional stations in Beaufort, Rock Hill, Spartanburg, and Sumter. The agency should use transmitter sites in these communities to provide programming.

Response:

Regional stations have minimal staff and are very efficient operations. They are especially important now as the expansion to 32 channels will allow utilization of educational resources throughout the state. Teachers with special expertise from throughout the state will be able to teach via distance learning from one of five locations rather than requiring that they all be from the Columbia area.

Regional stations are a part of SC ETV's overall plan to share resources with higher education, state agencies, and public schools. They have the ability to continue offering studios for state agency use in local areas as well as some local community oriented programs for both broadcast and non-broadcast purposes. With regional stations and restructuring of the microwave system to bring in signals from throughout the state, SC ETV will truly establish a two-way information super highway. Closing regional stations would amount to closing down essential links in this carefully planned information highway. One of its major advantages is making possible the sharing of resources amongst institutions throughout the state.

Other examples of multiple purposes being fulfilled by regional stations are that the Sumter station houses the tape and delay center for the Sumter County Schools; the Spartanburg station produces programs for BusinessLink; the Beaufort station handles the duplication and dispensing of the Early Childhood National Programming tapes; the Rock Hill station, located on the York Tech campus, has a fiber link to the Baxter Hood Conference Center allowing Tech to produce programs from the Center and eliminating the need for York Tech to build a studio of its own.

The agency will continue to search for additional areas of service and savings due to reduced state and federal funding. For example, the Sumter City Council voted on August 1, 1995, to reduce the rent for the Sumter facilities from \$32,500 to \$20,500 per year which includes utilities; some corporate underwriting is already being received for regional station productions; and the ETV Endowment is providing matching support for incentive grants from CPB.

Effective August 1, 1995, SC ETV closed the Charleston radio production facility resulting in the elimination of five (5) positions. Additionally, the Columbia radio production facility has been reduced by eight (8) positions. These decisions were in keeping with the agency's established priorities of service to public education, higher education, and state agencies. Unlike the regional television studios, this station did not produce programs or provide other services to meet education needs.

Recommendation #2

The General Assembly may wish to consider requiring SCETV in conjunction with other state technical experts to review the need for proposed studios at state agencies. This may include possible sharing of facilities among agencies in the same area.

Response:

SC ETV will review the need for proposed studios at other state agencies provided such requirements are placed on agencies by the General Assembly. Proviso 14.58 in the appropriations act requiring agencies to submit plans to SC ETV was deleted from the bill in 1992-93. However, SC ETV has continued to be a member of the Video Users Advisory Council along with representatives of public and higher education, health care services and state agencies to address ways to maximize the use of technology and distance education in South Carolina.

Recommendation #3

SCETV should update and document commercial rates for video conferencing to ensure that these services are provided in a cost-efficient manner.

Response:

SC ETV will continue its research of commercial rates for video conferencing. However, SC ETV is the only entity in the state with the ability to provide delivery of video conferences to 800+ sites -- no commercial or other enterprise currently has anything approaching this capability. Over the next two years, SC ETV will expand the number of receive sites to approximately 2,000. Therefore, SC ETV agrees with the LAC finding that they "... could not determine whether use of SCETV rather than the private sector is more cost-effective for video conferencing ..." since there is no comparable commercial service available.

In view of the above information, the only means by which SC ETV has been able to give some quantitative measure of cost savings is by a compilation of data based on commercial rates for individual components of a teleconference. SC ETV agrees with the LAC in their statement that they "... found the estimated cost savings from travel and productivity to be conservative." Also, the LAC is correct that rates used in the formulas to calculate savings have not been updated in several years. SC ETV will update formulas which is anticipated to reveal a significant increase in savings to the state.

Recommendation #4

SCETV should reconsider its financial commitment to the SERC project, in light of limited enrollment.

Response:

SC ETV's decision to deliver live interactive instructional programs via distance learning technology in South Carolina schools was made prior to the creation of SERC. It was, however, through the cooperative agreement of state departments of education and state educational television networks in the 21 states in the SERC agreement that SC ETV began delivery of programs via this technology. SERC made it possible for SC ETV to recover most of its out of pocket costs. The fact that these courses were going to be distributed nationally gave SC ETV the opportunity to partner with the Russian Government which provided 14 teachers over the last 6 years. If this had been only a South Carolina project, these resources would not have been available, resulting in SC ETV's having to cover all project costs. Additionally, SERC makes it possible for public schools in South Carolina to have available programs produced in other states.

Recommendation #5

If SCETV decides to continue its production of SERC courses, management should require personnel to track time and resources utilized in this project.

Response:

Tracking all the costs to produce SERC projects will be implemented.

Recommendation #6

If SCETV decides to continue its production of SERC courses, SCETV staff should determine if it would be more cost efficient to centralize the production of all SERC courses in the new production facility in Columbia.

Response:

Regional station participation in the SERC project is a prime example of SC schools benefitting from distance education technology by utilizing the best teachers to teach whether it is for a local school district, statewide or through cooperative agreements with other states for shared resources.

Recommendation #7

SCETV should formulate a marketing plan that would increase the awareness of the SERC programs.

Response:

SC ETV agrees with the LAC recommendation of a marketing plan to increase awareness of SERC programs. However, the SERC consortium provides that the role of marketing such programs to be the responsibility of the SDE. The SDE has declined to promote or market the SERC project more strongly than it would promote similar commercial programs.

Recommendation #8

The State Board of Education and the South Carolina Educational Television Commission should conduct a comprehensive study to determine the effectiveness including the appropriate placement of instructional television. This report should be submitted to the General Assembly by January 1, 1997.

Recommendation #9

The General Assembly may wish to consider the study in enacting and amending legislation regarding the administration of instructional television services.

Response (Recommendations #8 and #9):

It is apparent from both Recommendation #8 and Recommendation #9 that the LAC has concluded that the existing ITV partnership between SC ETV and the SDE is not being maximized to its full potential. SC ETV concurs with this. However, in light of the LAC's thorough analysis, ETV believes that a further study is neither necessary nor desirable. It is ETV's concern that additional studies will delay ITV's development progress which can only hurt South Carolina students.

For some years now, SDE has not committed significant financial or human resources for the improvement of ITV materials for classroom use. In fact, few new materials have been developed. In recent years, staff and resources allotted to ITV have actually been used to develop the SDE's computer activities.

ITV promotion continues to be a source of frustration for ETV. When SC ETV sought SDE's promotion support for live-interactive courses, SDE indicated that they could not promote ETV over out-of-state courses--including Whittle's controversial Channel One that brought commercials into South Carolina's classrooms. SDE declined to promote the use of ETV's digital satellite network over the more expensive fiber optics systems. SDE also declined to promote the SERC courses stating that the schools should have the opportunity to make course decisions. On the other hand, SDE holds that ETV's distance education courses must be approved by SDE rather than allowing the local schools to make that decision locally as they allow with other distance education offerings. This is clearly conflicting policy.

SC ETV has repeatedly proven its effectiveness as the national leader in the delivery of distance education and teleconferencing for higher education, state agencies, medical education, law enforcement, fire fighters, emergency medical service personnel, and business and industry. In fact, with ETV's active participation, these services have grown significantly. Yet at the public school level, only those services directly promoted by ETV have shown significant growth.

This is a critical juncture for ITV. SC ETV's system has made exceptional strides in the development of its technical capacity to serve the state's telecommunications needs. Last year ETV had four channels to deliver services; within a few months, ETV's digital satellite system will provide 32 channels. It is essential that all schools fully benefit from this innovative technical system which can, for the first time, provide equity in education to all South Carolina students.

With ETV's new digital satellite system, it is going to take a much stronger commitment on SDE's part to fully utilize and promote ITV's vast educational services. ETV would certainly welcome such a significantly increased commitment from SDE. However, should SDE decide that it is unable to dedicate the financial and human resources necessary, ETV would be willing to assume responsibility for the ITV division. Should this transfer take place, all ITV resources to include FTE's, salary, fringe, travel and other operating funds should be transferred to ETV. ETV would form an advisory committee from SDE to ensure proper curriculum standards for programming are met and that resources are expended in a way most beneficial to state schools. ETV would also conduct surveys or other utilization studies to determine the use of instructional television as well as other technology needs.

Recommendation #10

ITV should conduct surveys or other utilization studies in schools in South Carolina to determine the use of instructional television programs and the needs of schools. This information should be used as part of an overall evaluation of program outcomes.

Response:

SC ETV agrees with the LAC recommendation that ITV should conduct surveys or other utilization studies.

Recommendation #11

Utilization studies should be employed for the tape and delay centers to determine the usage and effectiveness of the centers.

Response:

Tape and delay centers are operated by and for school districts and, therefore, responsibility for utilization records must be with them. Collection and compilation of utilization data for tape and delay centers, as well as all ITV utilization, should be included in studies conducted by the ITV section of SDE.

SC ETV has formed ETV's Advisory Council of Superintendents to advise on, among other things, what are the most pressing needs the local schools have that can be met through distance education. This Council will be asked to advise ETV on methods to be used to obtain and determine utilization and determine effectiveness of tape and delay centers.

Recommendation #12

SCETV should consolidate production staffs in order to increase efficiency and effectiveness.

Response:

In view of state budget cuts and facing additional federal budget cuts, SC ETV has been reviewing all areas of operation and already has begun consolidation and cross training in some areas. The question of combining production staffs is under consideration as we continue to look at all areas of the organization. The magnitude of the operational changes will be determined by the amount of cuts, as well as other efforts to redirect resources based on the primary areas of service. As previously mentioned, efforts in this regard have already begun by the elimination of the Charleston Radio production facility and reductions in the Columbia Radio production facility, both of which were a part of the Division of Programming.

Recommendation #13

SCETV should retain information on all requests for production services including those that are not fulfilled by the agency.

Response:

SC ETV has purchased a resource tracking system which will be able to retain information on requests for services including those that are not fulfilled by the agency.

Recommendation #14

SCETV should appoint a director of marketing.

Response:

SC ETV agrees with the LAC recommendation of hiring a Director of Marketing and has begun the recruitment and selection process for filling this position. It is becoming increasingly clear that because of the economic circumstances existing today, SC ETV will have to look for alternative sources of revenue.

Recommendation #15

SCETV should ensure that all marketing activities are coordinated by the marketing department. The director of marketing should serve as the liaison and coordinator of all marketing activities within the agency, and handle the duties of tracking and reporting of marketing revenue and expenses.

Response:

The Marketing Department is charged with the marketing of SC ETV produced or acquired products and is responsible for the coordination of all marketing activities including tracking and reporting of marketing revenue and expenses in this regard. The agency is aware that the methods of tracking and reporting revenue and expenses need improvement and is taking the necessary steps to improve these functions.

Recommendation #16

SCETV should expand the mission of its marketing department to include additional marketing functions such as marketing research, identification and evaluation of new market opportunities, and aggressive promotion of existing services.

Response:

SC ETV is looking at all services in efforts to aggressively pursue new and expanded areas of revenue generation. SC ETV marketing has traditionally been service oriented but has been gradually moving towards increasing revenue generating activities. The new Director of Marketing will be charged with such functions as marketing research, identification and evaluation of new market opportunities, and aggressive promotion of existing products.

Marketing of other SC ETV services will continue to be performed by other staff -- K-12 services by the Division of School Services; continuing education, higher education, state agency, business, and law enforcement by the Division of Continuing Education; etc. Basically all ETV departments are involved in some way in the marketing of the many and varied services of the agency.

Recommendation #17

SCETV should ensure that the director of research, planning, and grants serves as a clearinghouse of all grants sought by the agency.

Response:

SC ETV agrees with the LAC recommendation that the Director of Research, Planning and Grants should serve as a clearinghouse of all grants sought by the agency. As stated in the report, this responsibility has been outlined in the position description for this position. The agency will ensure a policy is written, communicated and enforced.

Recommendation #18

SCETV should ensure that grant information is maintained in a format that would allow for measurement of agency effectiveness and efficiency in seeking and receiving grant funds.

Response:

The Director of Research, Planning and Grants will additionally be required to maintain grant information in a format that would allow for measurement of agency effectiveness and efficiency in seeking and receiving grants funds.

Recommendation #19

SCETV should require consistent and detailed tracking of staff time, facilities, and equipment used so that SCETV can determine its costs for all projects and services, whether or not they produce revenue.

Response:

SC ETV has purchased and is currently installing an automated resource tracking system (ScheduAll) for the agency in which information will be collected for staff time, facilities, and equipment used to determine costs for projects and services that will respond to this recommendation.

Recommendation #20

SCETV should review fees charged for production services. Consideration should be given to:

- **Charging all clients except state agencies the full rate card amount which is comparable to commercial rates.**
- **Charging a minimum of 15% of the in-kind costs to state agencies and continuing to charge state agencies 100% of out-of-pocket costs.**

Response:

As stated earlier, SC ETV is reviewing all areas for producing revenue which includes review of current methods of charging all clients. The agency has to take into consideration the delicate balance of charging for services in view of legislative mandates and resources available to public schools, state agencies, higher education, etc. The agency must retain reasonable flexibility in pricing such services and will continue to fully examine all requests for services based on the value to the state, as well as the resources available to each entity, and charge accordingly.

Recommendation # 21

SCETV should implement a policy to standardize its invoices for billing that clearly details SCETV's discreet costs and the resultant charges.

Response:

SC ETV agrees with the LAC and will implement a standardized invoice for billing.

Recommendation #22

SCETV should implement a written policy specifically governing the dispensing of waivers to ensure that state resources are adequately protected and all entities are treated in a consistent and equitable manner.

Response:

Also, SC ETV will implement a written policy governing the dispensing of waivers.

Recommendation #23

SCETV should develop a strategic plan with measurable goals and objectives.

Response:

SC ETV will develop a strategic plan with measurable goals and objectives.

Recommendation #24

SCETV should initiate a study of the utilization of the network as required by state law.

Response:

As previously indicated, utilization studies for K-12 services are the responsibility of the SDE's Department of ITV.

Recommendation #25

SCETV should thoroughly examine alternative revenue opportunities.

Response:

SC ETV agrees that alternative revenue opportunities should be examined and is currently in the process of doing so.

Recommendation #26

SCETV, in conjunction with other state education entities, should broaden its technology planning to take into account emerging non-broadcast educational technologies.

Response:

SC ETV is currently considering establishing a new department of Multi-Media to develop CD ROM and other non-broadcast educational technologies.

SC ETV has actively pursued other involvement in the emerging non-broadcast technology by being one of 12 sites selected by the Corporation for Public Broadcasting for a demonstration grant involving public broadcasting with community online systems. In partnership with USC and the Public Library, SC ETV launched MidNet this year. With 16 call-in lines and full Internet access, MidNet is a valuable resource for both K-12 education and the general public.

Also, Learning Link, the K-12 online service, is another SC ETV venture into non-broadcast technology. Teacher lesson plans, videos, information about in-school broadcast rights to

PBS programs, activity guides and classroom projects related to PBS programming are all available online to teachers. Online interactive projects are also available to students in the classroom. Plans for the coming year include access for teachers to the Internet via SC ETV's World Wide Web page, one of the first in the state.

ETV's Advisory Council of Superintendents will also be asked to advise the agency in an effort to broaden technology planning for K-12 services.

Recommendation #27

The South Carolina General Assembly may wish to consider amending 59-7-10 of the South Carolina Code of Laws to specify minimum qualifications for some members of the SCETV Commission to include individuals in the disciplines of public education, higher education, and broadcasting.

Response:

The LAC recommendation specifying minimum qualifications for SC ETV Commissioners is beyond the scope of responsibility of the agency.

Recommendation #28

The SCETV Commission should establish advisory committees in accordance with 59-7-40 of the South Carolina Code of Laws.

Response:

Section 59-7-40 of the South Carolina Code of Laws regarding advisory committees were deemed essential for the initial development and creation of the agency. SC ETV will request legislative changes to the Code to reflect current needs.

In November, 1994, SC ETV formed ETV's Advisory Council of Superintendents consisting of 18 school superintendents selected by the SC Superintendents' Association. Members serve staggered 3-year terms and new appointments will be by nomination from outgoing members. Diversity by race, gender, location, and availability of technology are considered in the selection process. The Advisory Council's purpose is to advise SC ETV on short distance and statewide distance education to include curriculum and technology issues, as well as to assist in informing schools and others of services available.

Additionally, the BusinessLink Users Advisory Committee, which includes members of higher education and a wide range of businesses, has been formed to address technical and training needs, group buy opportunities, and requests for training. An annual Business Link Users conference is also being planned by this Advisory Committee.

Further, SC ETV's Public Services Network Advisory Committee meets quarterly to guide the development and direction of the Public Services Network. This Committee includes representatives from federal, state, county, and city law enforcement, fire service, emergency medical services, the judicial system, corrections, the Bar Association, and

probation/pardon/parole services. This Committee identifies continuing education programs needed by discipline and produces a quarterly newsletter.

In the field of early childhood development, SC ETV has established an advisory committee consisting of nationally recognized early childhood professionals from around the country.

Recommendation #29

SCETV and the SCETV Endowment should enter into a written agreement specifying the services that SCETV staff will perform for the endowment and the reimbursement that will be made for these services. This agreement should be reviewed annually.

Response:

As recommended by the LAC, SC ETV will enter into a written agreement with the ETV Endowment of South Carolina specifying services and reimbursement, with an appropriate annual review.

Recommendation #30

SCETV should ensure that it obtains legal review for major national programming contracts and production contracts that involve significant SCETV resources.

Response:

SC ETV agrees with the LAC recommendation to obtain legal review for major national programming and production contracts and has already received approval from the State Attorney General for such services.

Recommendation #31

SCETV should broaden its policies on inventory control to include reviews, on an efficient and regular basis, of equipment purchased by SCETV for the public schools. These reviews could be conducted by personnel whose current duties require their occasional presence at schools.

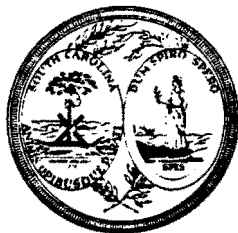
Response:

SC ETV agrees that better inventory control procedures should be in place for the equipment purchased by SC ETV for public schools. However, SC ETV believes that the inventory responsibility for items such as televisions, VCR's, satellite dishes, etc., installed by ETV in public schools for their use should be transferred to the public schools at the time of installation of such items. This would be a way to achieve more efficient and effective control of public property, as maintaining inventory control in the 1,100 school locations throughout the state by SC ETV is virtually impossible. SC ETV will request legislative approval to allow this transfer of responsibility.



STATE OF SOUTH CAROLINA

DEPARTMENT OF EDUCATION



Dr. Barbara Stock Nielsen
State Superintendent of Education

To: Ms. Cheryl Ridings, Deputy Director
Legislative Audit Council

From: Barbara S. Nielsen, Ed. D.
State Superintendent of Education

Date: August 21, 1995

Subject: Sunset Review of South Carolina Educational Television Network

The State Department of Education appreciates the opportunity to review the Sunset Review of the South Carolina Educational Television Network draft report. We concur with the changes and corrections that have been made since the first draft with one exception.

A new issue that was raised in the second draft of the report concerns the addition to Section 59-31-65 of the South Carolina Code of Laws in 1992 to redefine textbooks to "instructional technology and other similar materials." Regulation Number R43-70 passed the General Assembly in May 1993 and redefined the way in which instructional materials are selected. The statutory authority reference required by the South Carolina Administrative Procedures Act relates to the general authority of the State Board of Education to promulgate regulations. This authority is found in Section 59-5-60, Code of Laws of South Carolina, 1976 as amended. Additional statutory authority references are included for information purposes. R43-70 as amended does identify Section 59-31-65 as statutory authority in the synopsis published in the South Carolina State Register, May 28, 1993. However, we understand that the reference was omitted from the text of the regulation inadvertently. We will be glad to take action to request that Section 59-31-65 be inserted along with Sections 59-5-60 and 59-31-550 as statutory authority.

The State Department of Education staff and I are supportive of the recommendations made in the report and are ready to work cooperatively with South Carolina ETV to fulfill those recommendations. The results will enable South Carolina to provide better video broadcast services to our state's students. Thank you again for the collegial spirit with which all members of the staff of the Legislative Audit Council have worked with Department of Education staff.

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